

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Ionia County	County Ionia
Fiscal Year End 12/31/2006	Opinion Date 6/12/2007	Date Audit Report Submitted to State 6/28/2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	Zip 48823
		License Number 1101024055	

Ionia County, Michigan
FINANCIAL STATEMENTS
December 31, 2006

Ionia County, Michigan

December 31, 2006

BOARD OF COMMISSIONERS

James L. Banks	Chairperson
Brian Calley	Vice Chairperson
Joe Marhofer	Commissioner
Amanda Powell	Commissioner
Jack Shattuck	Commissioner
Cheryl Chadwick	Commissioner
Larry Tiejema	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Mark Howe	Administrator
Nancy Hickey	Treasurer
Tonda Rich	Clerk
Diane Adams	Register of Deeds
John Bush	Drain Commissioner
Ronald J. Schafer	Prosecuting Attorney
Dwain Dennis	Sheriff

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Ionia County, Michigan

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

75-78

Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Ionia County
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Ionia County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ionia County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ionia County Road Commission, which represents 84% of the total assets and 92% of the total revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Ionia County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2007 on our consideration of Ionia County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ionia County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Ionia, we offer this narrative overview and analysis of the financial activities of the County of Ionia for the fiscal year ended December 31, 2006. The purpose of this overview and discussion is to provide a narrative insight into the financial structure and position of the County of Ionia. This Discussion and Analysis should be read in conjunction with the financial statements contained herein.

HIGHLIGHTS

Financial Highlights

- * Significant improvements in the identification and allocation of appropriate Fund Balances in the General Fund and other operating funds were made during 2006. This analysis and redistribution of funds should result in a more favorable bond rating, and better recognition of the financial stability of the County of Ionia.
- * Net Assets of the County of Ionia decreased by less than one percent during 2006, after taking into account various prior period adjustments that were made.
- * The current debt load for Ionia County is nine percent of that which is allowable by state law. There is significant capacity for Ionia County to incur additional debt.

USING THIS REPORT

As stated above, this discussion and analysis is intended to serve as an introduction to the County of Ionia basic financial statements. The basic financial statements have three components: *Government-Wide Financial Statements*; *Fund Financial Statements*; and *Notes to Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

Government-Wide Financial Statements are intended to report information about the County as a whole using accounting methods similar to those used in the private sector. The *Government-Wide Financial Statements* are used to provide a long-term view of the financial stability of the County and are divided into the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* includes all of the County of Ionia's Assets and Liabilities. The difference between Assets and Liabilities is reported as Net Assets. Over time, increases or decreases in Net Assets may serve as a useful indicator of the financial position of the County of Ionia.

The *Statement of Activities* provides summary information regarding the revenue and expenses relating to specific programs within the County of Ionia.

Both of the *Government-Wide Financial Statements* distinguish functions of Ionia County that are principally supported by taxes and intergovernmental revenues (*Governmental-Type Activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-Type Activities*). The Governmental-Type Activities for Ionia County are combined into program areas such as General Government, Public Safety, Health & Welfare, Community & Economic Development, Recreation & Culture and Other Activities. The Business-Type Activities include the Delinquent Tax Revolving Fund and the Airport Fund, both of which are Enterprise Funds.

The *Government-Wide Financial Statements* include not only the activities for the County of Ionia, but also three legally separate entities for which the County of Ionia is financially accountable: the Ionia County Road Commission, County Drainage Districts, and the Brownfield Redevelopment Authority. These activities are known as *Component Units*, because they are reported in the County of Ionia financial statements, but are not combined with total figures for County finances.

Fund Financial Statements

A *Fund* is used to group related accounts to maintain control over resources that have been segregated for specific activities or objectives. Ionia County, as with other state and local units of government, uses fund accounting to control and manage resources for particular purposes and to ensure compliance with finance-related legal requirements. All of the Funds of Ionia County can be grouped into three categories: *Governmental Funds*, *Proprietary Funds*, and *Fiduciary Funds*.

Governmental Funds: *Governmental Funds* are used to account for a majority of the basic services provided by the County, essentially those same functions reported as Governmental Activities under the Government-Wide Financial Statements. The Governmental Fund Financial Statements, however, focus on the short-term financial position, such as how cash and assets can be converted into cash flow and what balances remain at the end of a fiscal year for spending.

Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *Governmental Activities* in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The County of Ionia maintains several individual *Governmental Funds*. The General Fund is the primary fund used to account for main activities of the County of Ionia. Of special note is that activities for the operation of Parks & Recreation, Friend of the Court, Public Health, Resource Recovery, Building Inspector, Central Dispatch, Commission on Aging, and Courts Security are contained within the Other Governmental Funds.

The County of Ionia adopts an annual budget for its General Fund, Special Revenue Funds and the Airport Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds: The County of Ionia maintains two different types of proprietary funds: *Enterprise* and *Internal Service*. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the *Government-Wide Financial Statements*. The County of Ionia uses enterprise funds to account for its Delinquent Tax Revolving and Airport activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County of Ionia uses no *Internal Service Funds*.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of those funds are not available to support the County of Ionia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL INFORMATION AND ANALYSIS

As noted earlier, Net Assets may serve over time as a useful indicator of a government's financial position. During the current period, however, the use of Net Assets in comparison to prior years is useless due to the several accounting adjustments that were made in 2006. The following schedule is a summary presentation of Ionia County's Assets, Liabilities, and Net Assets at December 31, 2006. This schedule shows that the County's Assets exceeded liabilities by \$21.4 million as of the end of 2006 (a 13 percent reduction).

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2005	2006	2005	2006	2005	2006	
Assets							
<i>Current Assets</i>							
Cash	\$ 5,103,835	\$ 4,615,447	\$ 1,163,088	\$ 1,059,086	\$ 6,266,923	\$ 5,674,533	-9.45%
Investments	\$ 1,474,088	\$ 5,108,367	\$ 4,949,672	\$ 1,733,633	\$ 6,423,760	\$ 6,842,000	6.51%
Other Assets	\$ 16,221,871	\$ 17,447,345	\$ 992,996	\$ 1,374,558	\$ 17,214,867	\$ 18,821,903	9.34%
<i>Non-Current Assets</i>							
Capital Assets	\$ 6,038,068	\$ 5,950,141	\$ 1,274,886	\$ 1,159,517	\$ 7,312,954	\$ 7,109,658	-2.78%
Total Assets	\$ 28,837,862	\$ 33,121,300	\$ 8,380,642	\$ 5,326,794	\$ 37,218,504	\$ 38,448,094	3.30%
Liabilities							
<i>Current Liabilities</i>	\$ 1,449,327	\$ 2,283,594	\$ 110,967	\$ 1,522	\$ 1,560,294	\$ 2,285,116	46.45%
<i>Non-Current Liabilities</i>							
Bonds & Notes Payable	\$ 13,170,000	\$ 13,935,521	\$ -	\$ -	\$ 13,170,000	\$ 13,935,521	5.81%
Accrued Sick & Vacation Pay	\$ 821,934	\$ 794,135	\$ -	\$ -	\$ 821,934	\$ 794,135	-3.38%
Total Liabilities	\$ 15,441,261	\$ 17,013,250	\$ 110,967	\$ 1,522	\$ 15,552,228	\$ 17,014,772	9.40%
Net Assets							
Invested in capital, Net of Debt	\$ 4,259,008	\$ 5,495,141	\$ 1,274,886	\$ 1,159,517	\$ 5,533,894	\$ 6,654,658	20.25%
Restricted	\$ -	\$ 3,337,392	\$ -	\$ -	\$ -	\$ 3,337,392	100.00%
Unrestricted	\$ 12,175,440	\$ 7,275,517	\$ 6,994,789	\$ 4,165,755	\$ 19,170,229	\$ 11,441,272	-40.32%
Total Net Assets	\$ 16,434,448	\$ 16,108,050	\$ 8,269,675	\$ 5,325,272	\$ 24,704,123	\$ 21,433,322	-13.24%

The major driving factor behind the reduction of Net Assets revolves around various prior period adjustments that were made to 2005 Net Assets. These adjustments are stated in Note Q within the financial statements, but also summarized below:

- * Capital Assets, net of accumulated depreciation, were overstated by \$3 million
- * Tax Receivable were understated by \$1.4 million
- * Due from Other Governments was understated by \$4.3 million
- * Deferred Revenue was understated by \$5.7 million

A further breakdown of the County of Ionia's \$21.4 million in Net Assets, and the change in Net Assets during 2006, is shown in the following table.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2005	2006	2005	2006	2005	2006	
Revenue:							
Program Revenue							
Charges for Services	\$ 8,171,141	\$ 4,786,427	\$ 119,926	\$ 615,358	\$ 8,291,067	\$ 5,401,785	-34.85%
Operating Grants & Contributions	\$ 4,719,998	\$ 5,406,031	\$ -	\$ -	\$ 4,719,998	\$ 5,406,031	14.53%
Capital Grants & Contributions	\$ -	\$ 915,000	\$ -	\$ -	\$ -	\$ 915,000	0.00%
General Revenue							
Property Taxes	\$ 8,085,879	\$ 8,527,236	\$ -	\$ -	\$ 8,085,879	\$ 8,527,236	5.46%
Other	\$ 2,395,614	\$ 2,163,185	\$ 418,764	\$ 120,051	\$ 2,814,378	\$ 2,283,236	-18.87%
Total Revenue	\$ 23,372,632	\$ 21,797,879	\$ 538,690	\$ 735,409	\$ 23,911,322	\$ 22,533,288	-5.76%
Expenses:							
General Government	\$ 5,840,959	\$ 6,649,753			\$ 5,840,959	\$ 6,649,753	13.85%
Public Safety	\$ 5,349,267	\$ 6,841,055			\$ 5,349,267	\$ 6,841,055	27.89%
Public Works	\$ -	\$ 2,976,967			\$ -	\$ 2,976,967	100.00%
Health & Welfare	\$ 4,195,161	\$ 5,052,093			\$ 4,195,161	\$ 5,052,093	20.43%
Other	\$ 2,539,622	\$ 511,934			\$ 2,539,622	\$ 511,934	-79.84%
Interest on Long-Term Debt	\$ 434,698	\$ 530,628			\$ 434,698	\$ 530,628	22.07%
Delinquent Tax Revolving			\$ 49,916	\$ 55,373	\$ 49,916	\$ 55,373	10.93%
Airport			\$ 159,355	\$ 148,439	\$ 159,355	\$ 148,439	-6.85%
Total Expenses	\$ 18,359,707	\$ 22,562,430	\$ 209,271	\$ 203,812	\$ 18,568,978	\$ 22,766,242	22.60%
Increase (Decrease) before Transfers	\$ 5,012,925	\$ (764,551)	\$ 329,419	\$ 531,597	\$ 5,342,344	\$ (232,954)	-104.36%
Transfers	\$ 701,338	\$ 3,476,000	\$ (891,120)	\$ (3,476,000)	\$ (189,782)	\$ -	-100.00%
Increase (Decrease) of Net Assets	\$ 5,714,263	\$ 2,711,449	\$ (561,701)	\$ (2,944,403)	\$ 5,152,562	\$ (232,954)	-104.52%
Net Assets, January 1	\$ 4,988,580	\$ 16,434,448	\$ 8,831,376	\$ 8,269,675	\$ 13,819,956	\$ 24,704,123	78.76%
Prior Period Adjustments	\$ 5,731,605	\$ (3,037,847)	\$ -	\$ -	\$ 5,731,605	\$ (3,037,847)	-153.00%
Net Assets, December 31	\$ 16,434,448	\$ 16,108,050	\$ 8,269,675	\$ 5,325,272	\$ 24,704,123	\$ 21,433,322	-13.24%

The most significant issue revealed by this table is that Ionia County's Net Assets decreased by less than 1 percent, or \$232,954.

ANALYSIS OF INDIVIDUAL FUNDS

The County of Ionia uses fund accounting in order to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Most governmental activities are accounted for in the General Fund, although some governmental activities, particularly those with a dedicated source of revenue, are accounted for in Special Revenue Funds.

The focus of these Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources.

The chief operating fund of the County of Ionia, the General Fund, finished with a balance of \$2.7 million, which includes a prior period adjustment which is explained in Note P of the Financial Statements. Of this, \$1.8 million is considered unreserved, which means it is available for spending at the government's discretion. A common financial management practice is to designate a portion of fund balance toward maintaining current services during unexpected, catastrophic events. A common suggested benchmark is 15 to 20 percent of expenditures (including transfers to other funds), or about two months of services. During 2006 the County of Ionia made adjustments to maintain fund balances at the 15 percent range in most of its governmental funds.

The relationship of Fund Balance, especially in the General Fund, to the fiscal stability of an organization is important in many aspects. This relationship was underscored on April 30, 2007, when the County of Ionia received a letter from the Michigan Department of Treasury discussing Fiscal Distress Indicators and its work with the Institute for Public Policy and Social Research at Michigan State University. Through its work, the Department of Treasury identified nine Fiscal Distress Indicators to determine the degree, or absence, of fiscal distress in units of local government. *According to the Michigan Department of Treasury, the only fiscal distress indicator of concern in Ionia County was its Fund Balance in the General Fund, which was at 8 percent in 2005. Our adjustment in 2006 should ensure that future evaluation of the fiscal health of Ionia County will result in positive reviews.*

The 2006 adjustments and how they impacted other funds with the County of Ionia are discussed in the Financial Statements under Note L.

Proprietary Funds: The County of Ionia's proprietary funds provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail.

The Delinquent Tax Revolving Fund is used for the administration of delinquent tax payments to local units of government, and the collection of payments and penalties from delinquent taxpayers. The County of Ionia uses interest earned from the Delinquent Tax Revolving Fund to finance various capital and other projects. Interest is earned on the fund through investments, but also from penalties assessed to delinquent taxpayers.

The Airport Fund is used to maintain the Ionia County Airport. Some grant-related activity flows through the Airport Fund, such as payments to the Michigan Department of Transportation, Bureau of Aeronautics, as match money for federal/state airport improvement grants. The Ionia County Airport receives \$150,000 annually from the federal government for airport improvement projects. The County must match five percent.

BUDGET VARIANCE ANALYSIS

There are no significant revenue or expenditure variances to report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County of Ionia's investment in Fixed (Capital) Assets was:

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2005	2006	2005	2006	2005	2006	
Non-Depreciated Assets							
Land	\$ 331,075	\$ 331,075	\$ 210,060	\$ 210,060	\$ 541,135	\$ 541,135	0.00%
Depreciated Assets							
Buildings & Improvements	\$ 7,647,269	\$ 7,647,269	\$ 1,885,170	\$ 1,885,170	\$ 9,532,439	\$ 9,532,439	0.00%
Machinery & Equipment	\$ 1,353,894	\$ 1,646,478	\$ 4,016	\$ 4,016	\$ 1,357,910	\$ 1,650,494	21.55%
Less: Accumulated Depreciation	\$ 3,234,645	\$ 3,674,681	\$ 824,360	\$ 939,729	\$ 4,059,005	\$ 4,614,410	13.68%
Net Capital Assets	\$ 6,097,593	\$ 5,950,141	\$ 1,274,886	\$ 1,159,517	\$ 7,372,479	\$ 7,109,658	-3.56%

The County of Ionia had \$18.1 million in outstanding debt at the end of 2006. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). This would allow the County of Ionia to issue debt in the amount of approximately \$200 million. *Ionia County's current debt load is only about nine percent of the allowable limit imposed by state law.*

The County of Ionia has been able to leverage its tax base and bond rating to the benefit of its local units of government, particularly the Ionia Area Sewage Disposal System, the City of Ionia, and the Ionia County Road Commission.

The County of Ionia's only outstanding obligation that is not paid by a benefiting entity is the \$580,000 Building Authority bond that was issued to construct the Health Building.

	Gross Debt Outstanding	Paid by Benefited Entity	Net Amount Outstanding
Governmental Activities			
County of Ionia SDS #2	\$ 3,200,000	\$ 3,200,000	\$ -
Michigan State Revolving Loan Fund - SDS	\$ 1,620,000	\$ 1,620,000	\$ -
County of Ionia - Health Building	\$ 455,000	\$ -	\$ 455,000
County of Ionia - City of Ionia Water/Sewer	\$ 4,200,000	\$ 4,200,000	\$ -
County of Ionia - City of Ionia Water/Sewer	\$ 3,700,000	\$ 3,700,000	\$ -
County of Ionia - City of Ionia Water/Sewer	\$ 1,500,000	\$ 1,500,000	\$ -
County of Ionia Subtotal	\$ 14,675,000	\$ 14,220,000	\$ 455,000
Component Units			
Transportation Fund Bonds	\$ 390,000	\$ 390,000	\$ -
2005 Road Commission Installment Loan	\$ 83,253	\$ 83,253	\$ -
2006 Road Commission Installment Loan	\$ 190,000	\$ 190,000	\$ -
Various Drainage District Bonds	\$ 1,750,563	\$ 1,750,563	\$ -
Total Outstanding Debt	\$ 17,088,816	\$ 16,633,816	\$ 455,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Because of its location between the metropolitan areas of Grand Rapids and Lansing, Ionia County has enjoyed stable growth in its property tax collection as a result of new construction on both the east and west sides of the county.

The Michigan Legislature has also provided some stability in revenue sharing payments to counties, which amounts to approximately 10 percent of the County's General Fund, although Ionia County can only rely on this stability through 2009.

Rising costs for wages and benefits, particularly health insurance, an increased demand for services, and the need for greater court security will have significant impacts on future county budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Any questions about this report, or requests for additional financial information, may be directed to:

Ionia County Administration
Finance Department
100 West Main Street
Ionia, MI 48846

BASIC FINANCIAL STATEMENTS

Ionia County, Michigan

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,615,447	\$ 1,059,086	\$ 5,674,533	\$ 1,736,479
Investments	932,619	1,030,694	1,963,313	-
Receivables	2,622,811	1,374,019	3,996,830	449,803
Due from other governmental units	14,817,519	539	14,818,058	891,748
Inventories	-	-	-0-	413,208
Prepays	7,015	-	7,015	129,968
Total current assets	22,995,411	3,464,338	26,459,749	3,621,206
Noncurrent assets				
Investments	4,175,748	702,939	4,878,687	-
Capital assets not being depreciated	331,075	210,060	541,135	12,084,299
Capital assets, net of accumulated depreciation	5,619,066	949,457	6,568,523	31,527,290
Total noncurrent assets	10,125,889	1,862,456	11,988,345	43,611,589
TOTAL ASSETS	33,121,300	5,326,794	38,448,094	47,232,795
LIABILITIES				
Current liabilities				
Accounts payable	329,075	1,200	330,275	217,791
Accrued liabilities	169,745	322	170,067	57,306
Due to other governmental units	-	-	-0-	114,543
Accrued interest payable	186,224	-	186,224	40,716
Deferred revenue	780,040	-	780,040	-
Advances	-	-	-0-	298,580
Current portion of compensated absences	140,141	-	140,141	-
Current portion of long-term debt	678,369	-	678,369	612,132
Total current liabilities	2,283,594	1,522	2,285,116	1,341,068
Noncurrent liabilities				
Noncurrent portion of compensated absences	794,135	-	794,135	174,769
Noncurrent portion of long-term debt	13,935,521	-	13,935,521	1,821,684
Total noncurrent liabilities	14,729,656	-0-	14,729,656	1,996,453
TOTAL LIABILITIES	17,013,250	1,522	17,014,772	3,337,521
NET ASSETS				
Invested in capital assets, net of related debt	5,495,141	1,159,517	6,654,658	41,177,773
Restricted for revenue sharing reserve	3,153,186	-	3,153,186	-
Restricted for other purposes	184,206	-	184,206	-
Unrestricted	7,275,517	4,165,755	11,441,272	2,717,501
TOTAL NET ASSETS	\$ 16,108,050	\$ 5,325,272	\$ 21,433,322	\$ 43,895,274

See accompanying notes to financial statements.

Ionia County, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 6,649,753	\$ 2,173,517	\$ 1,478,652	\$ -	\$ (2,997,584)	\$ -	\$ (2,997,584)	\$ -
Public safety	6,841,055	1,949,751	707,373	-	(4,183,931)	-	(4,183,931)	-
Public works	2,976,967	20,928	337,747	915,000	(1,703,292)	-	(1,703,292)	-
Health and welfare	5,052,093	611,231	2,435,329	-	(2,005,533)	-	(2,005,533)	-
Community and economic development	412,582	-	300,409	-	(112,173)	-	(112,173)	-
Recreation and cultural	99,352	31,000	146,521	-	78,169	-	78,169	-
Interest on long-term debt	530,628	-	-	-	(530,628)	-	(530,628)	-
Total governmental activities	22,562,430	4,786,427	5,406,031	915,000	(11,454,972)	-0-	(11,454,972)	-0-
Business-type activities								
Delinquent Tax Revolving	55,373	583,805	-	-	-	528,432	528,432	-
Airport	148,439	31,553	-	-	-	(116,886)	(116,886)	-
Total business-type activities	203,812	615,358	-0-	-0-	-0-	411,546	411,546	-0-
Total primary government	<u>\$ 22,766,242</u>	<u>\$ 5,401,785</u>	<u>\$ 5,406,031</u>	<u>\$ 915,000</u>	<u>(11,454,972)</u>	<u>411,546</u>	<u>(11,043,426)</u>	<u>-0-</u>
Component units								
Road Commission	\$ 6,222,413	\$ 1,177,926	\$ 3,967,442	\$ 3,448,441	-	-	-0-	2,371,396
Drainage Districts	604,945	35,382	98,586	514,631	-	-	-0-	43,654
Brownfield Redevelopment Authority	123,129	-	123,129	-	-	-	-0-	-0-
Total component units	<u>\$ 6,950,487</u>	<u>\$ 1,213,308</u>	<u>\$ 4,189,157</u>	<u>\$ 3,963,072</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,415,050</u>
General revenues								
Property taxes					8,527,236	-	8,527,236	-
Investment earnings					802,796	117,492	920,288	30,971
Miscellaneous					1,360,389	2,559	1,362,948	140,156
Transfers					3,476,000	(3,476,000)	-0-	-
Total general revenues and transfers					14,166,421	(3,355,949)	10,810,472	171,127
Change in net assets					2,711,449	(2,944,403)	(232,954)	2,586,177
Restated net assets, beginning of the year					13,396,601	8,269,675	21,666,276	41,309,097
Net assets, end of the year					\$ 16,108,050	\$ 5,325,272	\$ 21,433,322	\$ 43,895,274

See accompanying notes to financial statements.

Ionia County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Revenue Sharing Reserve	2001 Water and Sewer Bonds
ASSETS			
Cash and cash equivalents	\$ 1,305,835	\$ 713,209	\$ 1,300
Investments	1,692,751	-	-
Receivables			
Accounts	114,177	-	-
Taxes	209,214	1,626,031	-
Due from other funds	497,000	813,946	-
Due from other governmental units			
Federal/State	133,353	-	-
Local	63,000	-	3,200,000
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 4,015,330</u>	<u>\$ 3,153,186</u>	<u>\$ 3,201,300</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 132,176	\$ -	\$ -
Accrued liabilities	116,390	-	-
Due to other funds	813,946	-	-
Deferred revenue	215,222	-	3,200,000
TOTAL LIABILITIES	1,277,734	-0-	3,200,000
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	1,300
Building improvements	-	-	-
Unreserved			
Designated for			
Substance abuse services	82,753	-	-
Facilities	-	-	-
Paid time off	852,000	-	-
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
General fund	1,802,843	-	-
Special revenue funds	-	3,153,186	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>2,737,596</u>	<u>3,153,186</u>	<u>1,300</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,015,330</u>	<u>\$ 3,153,186</u>	<u>\$ 3,201,300</u>

See accompanying notes to financial statements.

2004 BPW Construction	2005 BPW Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 298,102	\$ 1,730	\$ 2,295,271	\$ 4,615,447
-	-	3,415,616	5,108,367
-	-	221,905	336,082
-	-	451,484	2,286,729
-	-	-	1,310,946
-	-	399,273	532,626
4,200,000	3,700,000	3,121,893	14,284,893
-	-	7,015	7,015
<u>\$ 4,498,102</u>	<u>\$ 3,701,730</u>	<u>\$ 9,912,457</u>	<u>\$ 28,482,105</u>
\$ -	\$ -	\$ 196,899	\$ 329,075
-	-	53,355	169,745
-	-	497,000	1,310,946
<u>4,200,000</u>	<u>3,700,000</u>	<u>3,684,818</u>	<u>15,000,040</u>
4,200,000	3,700,000	4,432,072	16,809,806
-	-	7,015	7,015
-	-	291,605	291,605
-	-	279,513	280,813
-	-	101,520	101,520
-	-	-	82,753
-	-	2,427,500	2,427,500
-	-	208,167	1,060,167
-	-	280,000	280,000
-	-	139,500	139,500
-	-	108,785	108,785
-	-	-	1,802,843
-	-	940,717	4,093,903
<u>298,102</u>	<u>1,730</u>	<u>696,063</u>	<u>995,895</u>
<u>298,102</u>	<u>1,730</u>	<u>5,480,385</u>	<u>11,672,299</u>
<u>\$ 4,498,102</u>	<u>\$ 3,701,730</u>	<u>\$ 9,912,457</u>	<u>\$ 28,482,105</u>

Ionia County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance - governmental funds **\$ 11,672,299**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 9,624,822	
Accumulated depreciation is	<u>(3,674,681)</u>	
Capital assets, net		5,950,141

Long-term receivables are not available to pay for current period
expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Deferred portion of due from other governments	14,220,000
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Governmental funds report the effect of issuance costs, premiums, and discounts
when debt is first issued, whereas these amounts are deferred and amortized
in the statement of activities. This amount is the net effect of these differences in
the treatment of long-term debt:

61,110

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct County obligations	14,675,000	
Accrued interest payable	186,224	
Compensated absences	<u>934,276</u>	
		<u>(15,795,500)</u>

Net assets of governmental activities **\$ 16,108,050**

See accompanying notes to financial statements.

Ionia County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Revenue Sharing Reserve	2001 Water and Sewer Bonds
REVENUES			
Taxes	\$ 6,174,448	\$ 1,893,066	\$ -
Licenses and permits	157,280	-	-
Intergovernmental	1,549,382	-	251,140
Charges for services	1,901,576	-	-
Fines and forfeits	219,674	-	-
Interest and rents	271,067	24,512	27
Other	653,227	-	-
TOTAL REVENUES	10,926,654	1,917,578	251,167
EXPENDITURES			
Current			
General government	5,441,097	-	-
Public safety	4,131,110	-	-
Public works	253,514	-	-
Health and welfare	331,865	-	-
Community and economic development	93,564	-	-
Recreation and cultural	-	-	-
Other	389,099	-	-
Capital outlay	-	-	-
Debt service	-	-	251,139
TOTAL EXPENDITURES	10,640,249	-0-	251,139
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	286,405	1,917,578	28
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	3,107,719	-	-
Transfers out	(1,097,460)	(1,074,219)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,010,259	(1,074,219)	-0-
NET CHANGE IN FUND BALANCES	2,296,664	843,359	28
Fund balances, beginning of year	861,784	416,763	1,272
Prior period adjustments	(420,852)	1,893,064	-
Fund balances, end of year	<u>\$ 2,737,596</u>	<u>\$ 3,153,186</u>	<u>\$ 1,300</u>

See accompanying notes to financial statements.

2004 BPW Construction	2005 BPW Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 459,722	\$ 8,527,236
-	-	359,866	517,146
-	-	3,741,567	5,542,089
-	-	2,072,152	3,973,728
-	-	7,843	227,517
197,058	191,803	275,435	959,902
-	-	482,034	1,135,261
197,058	191,803	7,398,619	20,882,879
-	-	891,669	6,332,766
-	-	1,668,043	5,799,153
580,424	488,317	1,597,015	2,919,270
-	-	4,528,575	4,860,440
-	-	311,314	404,878
-	-	95,236	95,236
-	-	-	389,099
-	-	979,060	979,060
178,550	188,382	604,004	1,222,075
758,974	676,699	10,674,916	23,001,977
(561,916)	(484,896)	(3,276,297)	(2,119,098)
-	-	1,500,000	1,500,000
-	-	2,876,960	5,984,679
-	-	(337,000)	(2,508,679)
-0-	-0-	4,039,960	4,976,000
(561,916)	(484,896)	763,663	2,856,902
860,018	486,626	4,716,722	7,343,185
-	-	-	1,472,212
<u>\$ 298,102</u>	<u>\$ 1,730</u>	<u>\$ 5,480,385</u>	<u>\$ 11,672,299</u>

Ionia County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ 2,856,902**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 315,332	
Depreciation expense	<u>(388,179)</u>	
Excess of depreciation expense over capital outlay		(72,847)
Loss on disposal of capital assets		(15,080)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	915,000
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond proceeds	(1,500,000)	
Bond discount	(51,631)	
Debt principal retirement	<u>640,000</u>	
		(911,631)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	51,447	
(Increase) in accrued compensated absences	<u>(112,342)</u>	
		<u>(60,895)</u>

Change in net assets of governmental activities	<u>\$ 2,711,449</u>
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See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,021,145	\$ 37,941	\$ 1,059,086
Investments	1,030,694	-	1,030,694
Taxes receivable	1,374,019	-	1,374,019
Due from other governmental units	539	-	539
Total current assets	3,426,397	37,941	3,464,338
Noncurrent assets			
Investments	702,939	-	702,939
Capital assets not being depreciated	-	210,060	210,060
Capital assets, net of accumulated depreciation	-	949,457	949,457
Total noncurrent assets	702,939	1,159,517	1,862,456
TOTAL ASSETS	4,129,336	1,197,458	5,326,794
LIABILITIES			
Current liabilities			
Accounts payable	-	1,200	1,200
Accrued liabilities	259	63	322
TOTAL LIABILITIES	259	1,263	1,522
NET ASSETS			
Invested in capital assets, net of related debt	-	1,159,517	1,159,517
Unrestricted	4,129,077	36,678	4,165,755
TOTAL NET ASSETS	<u>\$ 4,129,077</u>	<u>\$ 1,196,195</u>	<u>\$ 5,325,272</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
OPERATING REVENUES			
Interest and penalties on delinquent taxes	\$ 339,802	\$ -	\$ 339,802
Charges for services	244,003	31,553	275,556
TOTAL OPERATING REVENUES	583,805	31,553	615,358
OPERATING EXPENSES			
Operating expenses	29,201	9,514	38,715
Contracted services	-	18,084	18,084
Salaries	-	1,238	1,238
Fringe benefits	-	672	672
Depreciation	-	115,369	115,369
Other	26,172	3,562	29,734
TOTAL OPERATING EXPENSES	55,373	148,439	203,812
OPERATING INCOME (LOSS)	528,432	(116,886)	411,546
NONOPERATING REVENUES (EXPENSES)			
Gain on sale of property	2,559	-	2,559
Interest revenue	117,492	-	117,492
TOTAL NONOPERATING REVENUES (EXPENSES)	120,051	-0-	120,051
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	648,483	(116,886)	531,597
TRANSFERS IN (OUT)			
Transfers in	-	24,000	24,000
Transfers out	(3,500,000)	-	(3,500,000)
TOTAL TRANSFERS IN (OUT)	(3,500,000)	24,000	(3,476,000)
CHANGE IN NET ASSETS	(2,851,517)	(92,886)	(2,944,403)
Net assets, beginning of year	6,980,594	1,289,081	8,269,675
Net assets, end of year	\$ 4,129,077	\$ 1,196,195	\$ 5,325,272

See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 70,498	\$ 23,797	\$ 94,295
Cash paid to employees and suppliers	(28,942)	(28,773)	(57,715)
Cash paid for employee benefits	-	(672)	(672)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	41,556	(5,648)	35,908
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	24,000	24,000
Transfers out	(3,500,000)	-	(3,500,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(3,500,000)	24,000	(3,476,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Other capital asset transactions	2,559	-	2,559
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,733,633)	-	(1,733,633)
Maturity of investments	4,949,672	-	4,949,672
Interest revenue	117,492	-	117,492
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,333,531	-0-	3,333,531
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(122,354)	18,352	(104,002)
Cash and cash equivalents, beginning of year	1,143,499	19,589	1,163,088
Cash and cash equivalents, end of year	\$ 1,021,145	\$ 37,941	\$ 1,059,086

Ionia County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2006

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 528,432	\$ (116,886)	\$ 411,546
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	115,369	115,369
(Increase) in receivables	(447,882)	-	(447,882)
Decrease in due from other governmental units	66,320	-	66,320
(Decrease) in accounts payable	-	(4,194)	(4,194)
(Decrease) in due to other governmental units	(105,573)	-	(105,573)
Increase in accrued liabilities	259	63	322
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,556</u>	<u>\$ (5,648)</u>	<u>\$ 35,908</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,432,908
Cash - restricted	<u>193,247</u>
TOTAL ASSETS	<u>\$ 1,626,155</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 1,325,131
Due to individuals and agencies	<u>301,024</u>
TOTAL LIABILITIES	<u>\$ 1,626,155</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Road Commission	Drainage Districts	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 414,487	\$ 1,320,938	\$ 1,054
Receivables	3,982	445,821	-
Inventories	413,208	-	-
Prepays	129,968	-	-
Due from other governmental units	861,621	30,127	-
Total current assets	1,823,266	1,796,886	1,054
Noncurrent assets			
Capital assets not being depreciated	12,084,299	-	-
Capital assets, net of accumulated depreciation	25,550,181	5,977,109	-
Total noncurrent assets	37,634,480	5,977,109	-0-
TOTAL ASSETS	39,457,746	7,773,995	1,054
LIABILITIES			
Current liabilities			
Accounts payable	201,729	16,062	-
Accrued liabilities	57,306	-	-
Due to other governmental units	50,489	63,000	1,054
Accrued interest payable	12,050	28,666	-
Advances	298,580	-	-
Current portion of long-term debt	325,985	286,147	-
Total current liabilities	946,139	393,875	1,054
Noncurrent liabilities			
Noncurrent portion of compensated absences	174,769	-	-
Noncurrent portion of long-term debt	357,268	1,464,416	-
Total noncurrent liabilities	532,037	1,464,416	-0-
TOTAL LIABILITIES	1,478,176	1,858,291	1,054
NET ASSETS			
Invested in capital assets, net of related debt	36,951,227	4,226,546	-
Unrestricted	1,028,343	1,689,158	-
TOTAL NET ASSETS	\$ 37,979,570	\$ 5,915,704	\$ -0-

See accompanying notes to financial statements.

Total Component Units	
\$ 1,736,479	
449,803	
413,208	
129,968	
891,748	
	3,621,206
12,084,299	
31,527,290	
	43,611,589
	47,232,795
217,791	
57,306	
114,543	
40,716	
298,580	
612,132	
	1,341,068
174,769	
1,821,684	
	1,996,453
	3,337,521
41,177,773	
2,717,501	
\$ 43,895,274	

Ionía County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Road Commission	\$ 6,222,413	\$ 1,177,926	\$ 3,967,442	\$ 3,448,441	\$ 2,371,396
Drainage Districts	604,945	35,382	98,586	514,631	43,654
Brownfield Redevelopment Authority	123,129	-	123,129	-	-0-
TOTALS	\$ 6,950,487	\$ 1,213,308	\$ 4,189,157	\$ 3,963,072	2,415,050
General revenues					
Investment earnings					30,971
Miscellaneous					140,156
Total general revenues					171,127
CHANGE IN NET ASSETS					2,586,177
Restated net assets, beginning of year					41,309,097
Net assets, end of year					\$ 43,895,274

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Ionia, Michigan, was incorporated in 1837, and covers an area of approximately 575 square miles with the County seat located in the City of Ionia. The County operates under an elected Board of Commissioners and provides services to its more than 60,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Ionia County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The Public Health Fund has changed its fiscal year to December 31 and has reported its statement of revenues, expenditures, and changes in fund balance for the period October 1, 2005 to December 31, 2006.

2. Blended Component Units

The Ionia County Department of Human Services is governed by a three (3) member Board. The Board consists of two (2) members appointed by the County Board of Commissioners and one (1) State appointed member. The Board is responsible for establishing policies and the operational oversight of the local administration of the State of Michigan Social Welfare program. Although the staff of the Ionia County Department of Human Services are employed by the State of Michigan and substantially all the programs are financed by the State, State law requires the local activities to be "blended" with the local primary government.

The Ionia County Commission on Aging is responsible for planning and coordinating services for senior citizens. The Board is composed of seven (7) members, of which one (1) is a County Commissioner. The Commission's operations have been blended into the primary government.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Ionia County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Ionia County is such that exclusion of these entities would render the financial statements misleading or incomplete.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Ionia County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Ionia County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed three (3) member board of county road commissioners. The Road Commission is a separate legal entity from the County and they maintain a separate financial and accounting system. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The Brownfield Redevelopment Authority Fund is used to account for administrative costs of the authority. The authority is responsible for promoting the revitalization, redevelopment, and reuse of certain properties. The authority, which is established under MCL 125.2651 et al., is governed by a nine (9) member board appointed by the County Board of Commissioners.

The Drainage Districts in the County come under the jurisdiction of the Ionia County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The 2001 Water and Sewer Bonds Fund was established to account for the bond payments of the \$3,600,000 Ionia County Water and Sewer Bonds - Series 2001.
- d. The 2004 BPW Construction Fund accounts for the cost of construction of specific water and sewer projects.
- e. The 2005 BPW Construction Fund accounts for the cost of construction of specific water and sewer projects.
- f. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of delinquent real property taxes, penalties, and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, mutual funds, U.S. government securities, and time certificates with an original maturity of 90 days or less.

8. Investments

Investments consist of U.S. government securities and certificates of deposit with original maturities of greater than 90 days. Investments are recorded at cost, which approximates market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

10. Inventories

Inventories in the Public Health (nonmajor governmental) Fund consist of vaccines. These items are valued at cost. Inventories in the Road Commission (Component Unit) Fund are priced at cost as determined on the average cost method. Road Commission inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**11. Capital Assets****PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)**

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 6 years
Drain infrastructure	50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by Ionia County Road Commission as assets with an estimated useful life in excess of two years. No minimum cost is used to record road equipment capital assets. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and Improvements	25 - 50 years
Road Equipment	5 - 8 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	25 - 50 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads has been fully depreciated.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recoding depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditure does not affect the available operating equities of the governmental fund statements.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2006, including related payroll taxes, is recorded in the government-wide financial statements.

14. Deferred Revenue

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred or amounts that have not been earned and are deferred at the fund level and government-wide level.

15. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

16. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

- a. Prior to August 25, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the Board of Commissioners for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Administrator is authorized to transfer budget amounts between accounts.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Budgets and Budgetary Accounting - continued

- e. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

17. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty (30) funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan

Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2006, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 5,778,522	\$ 5,581,533
Certificates of deposit	<u>1,349,824</u>	<u>1,349,824</u>
Total primary government	7,128,346	6,931,357
COMPONENT UNITS		
Checking and savings	1,736,479	1,736,479
Fiduciary Funds		
Checking and savings	<u>1,626,155</u>	<u>1,588,838</u>
TOTAL REPORTING ENTITY	<u>\$10,490,980</u>	<u>\$10,256,674</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2006, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$789,500 and the amount of \$9,467,174 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDInvestments

As of December 31, 2006, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Uncategorized pooled investments				
Federal Farm Credit Bank	\$ 75,000	\$ 72,938	Aaa	1.75 years
Federal National Mortgage Association	407,131	398,105	Aaa	1.69 years
Federal Home Loan Bank	4,409,460	4,321,116	Aaa	1.62 years
Federal Home Loan Mortgage Association	<u>490,002</u>	<u>471,095</u>	Aaa	6.45 years
	<u>\$ 5,381,593</u>	<u>\$ 5,263,254</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2006, rating information on the County's investments is presented above.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in this investment policy
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with this investment policy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2006:

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,674,533	\$ 1,736,479	\$ 1,432,908	\$ 8,843,920
Cash - restricted	-	-	193,247	193,247
Investments	<u>6,842,000</u>	<u>-</u>	<u>-</u>	<u>6,842,000</u>
	<u>\$12,516,533</u>	<u>\$ 1,736,479</u>	<u>\$ 1,626,155</u>	<u>\$15,879,167</u>

The primary government cash and cash equivalents captions on the financial statements include \$6,594 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at December 31, 2006:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 497,000</u>
Due to Revenue Sharing Reserve Fund from:	
General Fund	<u>\$ 813,946</u>
Due to Component Unit Funds from:	
Component Unit Funds	<u>\$ 53,565</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Revenue Sharing Reserve Fund	\$ 1,074,219
Delinquent Tax Revolving Fund	1,845,500
Nonmajor governmental funds	<u>188,000</u>
Total transfers to General Fund from other funds	<u>\$ 3,107,719</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,093,460
Nonmajor governmental funds	129,000
Delinquent Tax Revolving Fund	<u>1,654,500</u>
Total transfers to nonmajor governmental funds	<u>\$ 2,876,960</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor enterprise funds from:	
General Fund	\$ 4,000
Nonmajor governmental funds	<u>20,000</u>
Total transfers to nonmajor enterprise funds	<u>\$ 24,000</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	<u>Restated Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2006</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 331,075	\$ -	\$ -	\$ 331,075
Capital assets being depreciated				
Buildings and improvements	7,647,269	-	-	7,647,269
Equipment and furniture	615,857	191,394	-	807,251
Vehicles	<u>760,446</u>	<u>123,938</u>	<u>45,157</u>	<u>839,227</u>
Total capital assets being depreciated	9,023,572	315,332	45,157	9,293,747
Less accumulated depreciation for				
Buildings and improvements	(2,527,696)	(151,724)	-	(2,679,420)
Equipment and furniture	(409,262)	(106,865)	-	(516,127)
Vehicles	<u>(379,621)</u>	<u>(129,590)</u>	<u>(30,077)</u>	<u>(479,130)</u>
Total accumulated depreciation	<u>(3,316,579)</u>	<u>(388,179)</u>	<u>(30,077)</u>	<u>(3,674,681)</u>
Net capital assets being depreciated	<u>5,706,993</u>	<u>(72,847)</u>	<u>15,080</u>	<u>5,619,066</u>
Capital assets, net	<u>\$ 6,038,068</u>	<u>\$ (72,847)</u>	<u>\$ 15,080</u>	<u>\$ 5,950,141</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 93,675
Public safety	212,790
Public works	2,056
Recreation and cultural	2,287
Health and welfare	<u>77,371</u>
Total depreciation expense	<u>\$ 388,179</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Business-type activities				
Capital assets not being depreciated				
Land	\$ 210,060	\$ -	\$ -	\$ 210,060
Capital assets being depreciated				
Buildings and improvements	1,885,170	-	-	1,885,170
Equipment	<u>4,016</u>	<u>-</u>	<u>-</u>	<u>4,016</u>
Total capital assets being depreciated	1,889,186	-0-	-0-	1,889,186
Accumulated depreciation				
Buildings and improvements	(820,344)	(115,369)	-	(935,713)
Equipment	<u>(4,016)</u>	<u>-</u>	<u>-</u>	<u>(4,016)</u>
Total accumulated depreciation	<u>(824,360)</u>	<u>(115,369)</u>	<u>-0-</u>	<u>(939,729)</u>
Net capital assets being depreciated	<u>1,064,826</u>	<u>(115,369)</u>	<u>-0-</u>	<u>949,457</u>
Capital assets, net	<u>\$ 1,274,886</u>	<u>\$(115,369)</u>	<u>\$ -0-</u>	<u>\$ 1,159,517</u>

Component Unit - Drainage Districts

	Restated Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Component Unit - Drainage Districts				
Capital assets being depreciated				
Drains	\$ 7,295,720	\$ 481,500	\$ -	\$ 7,777,220
Less accumulated depreciation for				
Drains	<u>(1,644,568)</u>	<u>(155,543)</u>	<u>-</u>	<u>(1,800,111)</u>
Capital assets, net	<u>\$ 5,651,152</u>	<u>\$ 325,957</u>	<u>\$ -0-</u>	<u>\$ 5,977,109</u>

Component Unit - Road Commission

	Balance Jan. 1, 2006	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2006
Component Unit - Road Commission				
Capital assets not being depreciated				
Land	\$ 79,821	\$ -	\$ -	\$ 79,821
Land improvements	11,016,266	908,212	-	11,924,478
Right of Ways	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Subtotal	11,176,087	908,212	-0-	12,084,299

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE E: CAPITAL ASSETS - CONTINUED

Component Unit - Road Commission

	<u>Balance</u> <u>Jan. 1, 2006</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Component Unit - Road Commission - continued				
Capital assets being depreciated				
Buildings and improvements	\$ 2,482,222	\$ -	\$ -	\$ 2,482,222
Road Equipment	5,544,439	290,788	(187,009)	5,648,218
Shop Equipment	71,456	98,411	-	169,867
Office Equipment	116,653	5,919	-	122,572
Engineering Equipment	76,309	8,312	-	84,621
Infrastructure - Bridges	11,432,021	12,799	-	11,444,820
Infrastructure - Roads	25,811,746	2,124,000	(3,196,087)	24,739,659
Depletable assets - Gravel Pits	<u>10,080</u>	<u>-</u>	<u>-</u>	<u>10,080</u>
Subtotal	45,544,926	2,540,229	(3,383,096)	44,702,059
Less accumulated depreciation for				
Buildings and improvements	(748,472)	(69,755)	-	(818,227)
Road Equipment	(4,393,363)	(445,935)	186,941	(4,652,357)
Shop Equipment	(67,851)	(6,183)	-	(74,034)
Office Equipment	(102,457)	(6,888)	-	(109,345)
Engineer's Equipment	(36,554)	(12,453)	-	(49,007)
Infrastructure - Bridges	(2,017,910)	(242,328)	-	(2,260,238)
Infrastructure - Roads	<u>(14,019,679)</u>	<u>(365,078)</u>	<u>3,196,087</u>	<u>(11,188,670)</u>
Subtotal	<u>(21,386,286)</u>	<u>(1,148,620)</u>	<u>3,383,028</u>	<u>(19,151,878)</u>
Capital assets being depreciated, net	<u>24,158,640</u>	<u>1,391,609</u>	<u>(68)</u>	<u>25,550,181</u>
Total capital assets, net	<u>\$35,334,727</u>	<u>\$ 2,299,821</u>	<u>\$(68)</u>	<u>\$ 37,634,480</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long term debt (including current portion) of the County for the year ended December 31, 2006:

	<u>Balance</u> <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2006</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations - Bonds	\$ 13,815,000	\$ 1,500,000	\$ 640,000	\$ 14,675,000	\$ 730,000
Accrued compensated absences	<u>821,934</u>	<u>828,904</u>	<u>716,562</u>	<u>934,276</u>	<u>140,141</u>
	14,636,934	2,328,904	1,356,562	15,609,276	870,141
Less deferred amounts:					
On refunding	<u>112,741</u>	<u>-</u>	<u>51,631</u>	<u>61,110</u>	<u>51,631</u>
TOTAL PRIMARY GOVERNMENT	14,524,193	2,328,904	1,304,931	15,548,166	818,510

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Amounts Due Within One Year
COMPONENT UNITS					
Drainage Districts					
Drain bonds and notes	\$ 1,581,320	\$ 542,900	\$ 373,657	\$ 1,750,563	\$ 286,147
Road Commission					
MTF Bonds	570,000	-	180,000	390,000	190,000
Installment loans	202,113	190,000	118,860	273,253	135,985
Accrued compensated absences	189,343	-	14,574	174,769	-
Retiree life insurance liability	<u>22,000</u>	<u>-</u>	<u>2,000</u>	<u>20,000</u>	<u>-</u>
Total Road Commission	<u>983,456</u>	<u>190,000</u>	<u>315,434</u>	<u>858,022</u>	<u>325,985</u>
TOTAL COMPONENT UNITS	<u>2,564,776</u>	<u>732,900</u>	<u>689,091</u>	<u>2,608,585</u>	<u>612,132</u>
TOTAL REPORTING ENTITY	<u>\$ 17,088,969</u>	<u>\$ 3,061,804</u>	<u>\$ 1,994,022</u>	<u>\$ 18,156,751</u>	<u>\$ 1,430,642</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct County Obligations - Bonds

Bonds payable at December 31, 2006 is as follows:

\$3,600,000 Ionia County Water and Sewer Bonds - Series 2001, dated August 1, 2001, due in annual installments from \$100,000 to \$1,400,000 through August 1, 2020, with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	\$ 3,200,000
\$6,382,251 Ionia County Michigan State Revolving Loan Fund (Ionia Area Disposal System, No. 1 Bonds) - Series 1990, dated August 28, 1990, due in annual installments ranging from \$365,000 to \$415,000 through October 1, 2010, with interest of 2.00 percent, payable semi-annually.	1,620,000
\$580,000 Ionia County Health Department Building Refunding Bonds - Series 2003, dated December 3, 2003, due in annual installments ranging from \$10,000 to \$75,000 through June 1, 2013, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.	455,000
\$4,200,000 Ionia County Water and Sewer Improvement Bonds - Series 2004, dated April 1, 2004, due in annual installments ranging from \$75,000 to \$300,000 through August 1, 2029, with interest ranging from 3.00 to 4.60 percent, payable semi-annually.	4,200,000
\$3,700,000 Ionia County Water and Sewer Improvement Bonds - Series 2005A, dated May 1, 2005, due in annual installments ranging from \$25,000 to \$275,000 through August 1, 2029, with interest ranging from 3.50 to 4.50 percent, payable semi-annually.	3,700,000
\$1,500,000 Ionia County Water and Sewer Improvement Bonds - Series 2006, dated May 1, 2006, due in annual installments ranging from \$25,000 to \$100,000 through August 1, 2029, with interest ranging from 4.60 to 6.00 percent, payable semi-annually.	<u>1,500,000</u>
	<u>\$14,675,000</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$934,276 for vacation and sick at December 31, 2006, \$140,141 has been recorded as a current liability, and \$794,135 has been reported as a noncurrent liability.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain notes. These projects are administered by the Ionia County Drain Commission for various local drainage districts. The drain notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable at December 31, 2006, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2021.	<u>\$ 1,750,563</u>
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COMPONENT UNIT - ROAD COMMISSION

1998 MTF Bonds

The Road Commission is obligated for Michigan Transportation Fund Bonds, dated February 1, 1998, in the original amount of \$1,730,000.	<u>\$ 390,000</u>
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Installment Loans

In August 2005, the Road Commission borrowed \$123,000 for the purchase of a loader. The loan is payable annually with interest of 3.37percent.	\$ 83,253
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In August 2006, the Road Commission borrowed \$190,000 for the purchase of two dump trucks. The loan is payable annually with interest of 5.10 percent.	<u>190,000</u>
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	<u>\$ 273,253</u>
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Accrued Compensated Absences

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$133,111 and \$41,658 for vacation and sick, respectively, at December 31, 2006. This amount, \$174,769, has been reported as a noncurrent liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F: LONG-TERM DEBT - CONTINUED**COMPONENT UNIT - ROAD COMMISSION - CONTINUED**Retiree Life Insurance Liability

During 1995, the Road Commission elected to become self-insured with respect to retirees life insurance benefits, as it relates to existing retirees. Employees who retire from the Road Commission after 1995 are no longer granted life insurance at retirement, through contract negotiations. However, employees who retired prior to the effective date of the current employee contract were granted life insurance coverage upon retirement. The Road Commission decided not to continue paying the premiums on the existing policies and to pay the death benefits from future resources. Accordingly, a liability for retirees life insurance benefits was recorded in the government-wide statements in the amount of \$20,000 which represents the maximum remaining amount of death benefits to be paid to beneficiaries.

The annual requirements to pay the debt principal and interest outstanding for the above Bonds and Notes are as follows:

Primary Government

<u>Year Ending December 31,</u>	<u>Direct County Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 730,000	\$ 614,454
2008	760,000	576,056
2009	800,000	494,739
2010	875,000	532,144
2011	465,000	506,028
2012-2016	2,820,000	2,198,356
2017-2021	3,275,000	1,497,113
2022-2026	2,950,000	863,850
2027-2029	<u>2,000,000</u>	<u>169,200</u>
	<u>\$14,675,000</u>	<u>\$ 7,451,940</u>

Component Units

<u>Year Ending Sept. 30,</u>	<u>Drainage District Drain Notes</u>		<u>Road Commission</u>			
			<u>MTF Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 286,147	\$ 74,861	\$ 190,000	\$ 16,480	\$ 135,985	\$ 49,464
2008	211,606	62,331	200,000	8,500	137,268	45,902
2009	181,939	53,586	-	-	-	-
2010	171,606	45,916	-	-	-	-
2011	161,383	38,558	-	-	-	-
2012-2016	521,217	127,467	-	-	-	-
2017-2021	<u>216,665</u>	<u>21,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,750,563</u>	<u>\$ 424,035</u>	<u>\$ 390,000</u>	<u>\$ 24,980</u>	<u>\$ 273,253</u>	<u>\$ 95,366</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: EMPLOYEE RETIREMENT SYSTEM**PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH)**Plan Description

The County participates in the County of Ionia Pension Plan, a single employer defined benefit pension plan that covers all employees of the County except the Sheriff's Department and Central Dispatch. The plan provides retirement, disability and death benefits to members and their beneficiaries. The County of Ionia Pension Plan issues a publicly available financial report which may be obtained by writing to the County of Ionia, 100 West Main Street, Courthouse, Ionia, Michigan 48846.

Annual Pension Cost

For the year ended December 31, 2006 the County's annual pension cost of \$275,282 for the plan was equal to the County's required contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 7.0% and (2) projected salary increases of 3.5% per year compounded annually, attributable to inflation. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 3,697,777	\$ 3,984,000	\$ 4,330,169
Actuarial accrued liability (AAL) (entry age)	4,465,742	5,250,096	5,581,993
Unfunded AAL	767,965	1,266,096	1,251,824
Funded ratio	83%	76%	78%
Covered payroll	2,964,635	3,134,630	3,632,150
UAAL as a percentage of covered payroll	26%	40%	34%

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 152,792	\$ 231,864	\$ 275,282
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

SHERIFF DEPARTMENT AND CENTRAL DISPATCHPlan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public employee retirement system for its Sheriff Department and Central Dispatch employees. MERS is authorized and operated under State law, Act 135 of Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**SHERIFF DEPARTMENT AND CENTRAL DISPATCH - CONTINUED**Annual Pension Cost

For the year ended December 31, 2006 the County's annual pension cost of \$275,263 for the plan was equal to the County's required contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 1,622,394	\$ 2,284,759	\$ 2,648,106
Actuarial accrued liability (AAL) (entry age)	1,860,710	2,868,463	3,269,615
Unfunded AAL	238,316	583,704	621,509
Funded ratio	87%	80%	81%
Covered payroll	1,739,539	2,390,063	2,467,631
UAAL as a percentage of covered payroll	14%	24%	25%

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 222,728	\$ 239,498	\$ 275,263
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - ROAD COMMISSIONPlan Description

The Commission participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time employees are covered by the retirement system.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Funding Policy

The plan adopted by the Board of Commissioners requires all employees to contribute 3% of their annual compensation. The Road Commission is required to contribute at an actuarially determined rate; the weighted average rate for 2006 was 27.32% for all employees. The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

During the calendar year ended December 31, 2006, the Road Commission's contributions totaling \$500,564 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age actuarial cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and (4) the assumption that benefits will increase 2.5% per year after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return and includes as an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over a period of 30 years.

THREE-YEAR TREND INFORMATION

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 458,963	100 %	\$ -0-
2005	474,759	100	-0-
2006	500,564	100	-0-

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/03	\$ 3,703,061	\$10,745,857	\$ 7,042,796	34 %	\$ 1,849,503	381 %
12/31/04	3,929,649	11,470,308	7,540,659	35	1,789,504	422
12/31/05	4,129,025	11,959,270	7,830,245	35	1,832,290	427

NOTE H: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE I: ROAD COMMISSION FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended December 31, 2006, the Federal aid received and expended by the Ionia County Road Commission was \$919,581 for contracted projects. The Road Commission neither received nor expended any federal money for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission. Due to these facts, all of these funds have been excluded from the County's Single Audit, which is presented under separate cover.

NOTE J: RISK MANAGEMENT

The County participates in a pool, the Michigan Counties' Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Ionia County with loss protection for general liability, vehicle physical damage, property damage and losses due to crime.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Ionia County with loss protection for general and auto liability, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General liability	\$ 150,000
Vehicle physical damage coverage	15,000
Property and crime coverage	100,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE J: RISK MANAGEMENT - CONTINUED

In addition, the Authority has accumulated resources to create and fund an Internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$186,000 net of reinsurance for any one (1) member in any one (1) year. Aggregate paid losses in excess of \$186,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund resources are insufficient to fund losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2006, the County had funds on deposit of \$60,172 with the Authority in the Member Retention Funds. The Authority's reported reserves at December 31, 2006 for reported claims related to the County were \$229,261.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter local agreements) to form group self-insurances pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Ionia County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability.

The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self-Insurance Fund for workers' compensation self-insurance. The fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission continued to carry commercial insurance for employee health and accident insurance. The amount of settlement claims for the past three years has not exceeded insurance coverage.

NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy is shifting over the next three years from winter to summer.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE - CONTINUED

The County's Winter 2005 and Summer 2006 ad valorem taxes were levied and collectible on December 1, 2005 and July 1, 2006, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2005 and Summer 2006 tax levies have been recognized as revenue in the current fiscal year. The 2005 taxable value of Ionia County amounted to \$1,255,618,638 on which ad valorem taxes levied for County general operating purposes consisted of 3.1093 mills for Winter 2005 and 3.0956 mills for Summer 2006. The Ionia County Commission on Aging has levied .3672 mills for services related to the aging within the County.

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of December 31, 2006:

PRIMARY GOVERNMENT	
Special Revenue Funds	
Commission on Aging Fund	
Reserved for prepaids	\$ 7,015
Central Dispatch Fund	
Reserved for building improvements	101,520
Permanent Fund	
Cemetery Perpetual Care Fund	
Reserved for perpetual care	291,605
Debt Service Funds	
2001 Water and Sewer Bonds Fund	
Reserved for debt service	1,300
Sewer System Bonds Fund	
Reserved for debt service	11,326
Health Building Debt Fund	
Reserved for debt service	<u>268,187</u>
TOTAL REPORTING ENTITY	<u>\$ 680,953</u>

The following are the various fund balance designations as of December 31, 2006:

PRIMARY GOVERNMENT	
General Fund	
Designated for	
Substance abuse services	\$ 82,753
Paid time off	<u>852,000</u>
	934,753
Special Revenue Funds	
Child Care Fund	
Designated for paid time off	3,667
Parks and Recreation Fund	
Designated for paid time off	3,500
Friend of the Court Fund	
Designated for paid time off	53,500

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Special Revenue Funds - continued

Public Health Fund

Designated for

Paid time off

\$ 94,000

Medicaid

280,000

Designated Contributions Fund

Designated for public safety

108,785

Central Dispatch Fund

Designated for

Paid time off

50,500

Contingency

139,500

Courts Security Fund

Designated for

Facilities

225,000

Paid time off

3,000

961,452

Capital Projects Funds

General Fund Designated Fund

Designated for facilities

2,202,500

TOTAL PRIMARY GOVERNMENT

\$ 4,098,705

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2006:

PRIMARY GOVERNMENT

Governmental Activities

Revenue Sharing Reserve

\$ 3,153,186

Other Purposes

Register of Deeds Automation

162,985

Commission on Aging

21,221

\$ 3,337,392

NOTE N: POST-EMPLOYMENT BENEFITS

COMPONENT UNIT - ROAD COMMISSION

In addition to the pension benefits described in Note G, the Ionia County Road Commission provides post-employment health care to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten or twenty years of service, depending on position. Expenditures for post-employment health care benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2006 these costs amounted to approximately \$262,888 with 32 eligible participants.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE N: POST-EMPLOYMENT BENEFITS - CONTINUED

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently related Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the budgetary comparison schedules shown as required supplementary information to the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2006, the County incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Circuit Court	\$ 606,010	\$ 663,045	\$ 57,035
Juvenile Court	365,670	382,900	17,230
Public safety			
Emergency Services	26,430	85,280	58,850
Other			
Insurance and bonds	306,500	343,215	36,715

NOTE P: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the period, which were the result of corrections of accounting errors. These adjustments were reported as changes to the beginning fund balance. The effect on operations and other affected balances for the current and prior period are as follows:

	<u>December 31, 2006</u>	<u>2005</u>	<u>Description</u>
GOVERNMENTAL FUNDS			
General Fund			
Taxes receivable	\$ -	\$(420,852)	To correct overstatement
Revenue over (under) expenditures	-	(420,852)	of taxes receivable
Fund balance - beginning	(420,852)	-	
Revenue Sharing Reserve Fund			
Taxes receivable	-	1,893,064	To correct understatement
Revenue over (under) expenditures	-	1,893,064	of taxes receivable
Fund balance - beginning	1,893,064	-	

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE P: PRIOR PERIOD ADJUSTMENTS - CONTINUED

	December 31,		
	<u>2006</u>	<u>2005</u>	<u>Description</u>
COMPONENT UNITS			
County Drain Fund			
Special assessment receivable	\$ -	\$ 576,171	To correct understatement
Revenue over (under) expenditures	-	576,171	of special assessment
Fund balance - beginning	576,171	-	receivable
Deferred revenue	-	(620,620)	To correct understatement
Revenue over (under) expenditures	-	(620,620)	of deferred revenue
Fund balance - beginning	(620,620)	-	

NOTE Q: RESTATEMENT OF NET ASSETS

The County has retroactively adjusted capital asset balances net of accumulated depreciation to reflect corrections of overstated balances in governmental activities and understated balances in the component unit drainage districts.

The governmental activities have also been restated for an understatement of taxes receivable, understatement of due from other governments, and understatement of deferred revenue.

Governmental activities net assets as of December 31, 2005	\$ 16,434,448
Overstated capital assets, net of accumulated depreciation	(3,030,940)
Net understated taxes receivable	1,472,212
Understated due from other governments	4,300,000
Understated deferred revenue	<u>(5,779,119)</u>
Restated governmental activities net assets as of December 31, 2005	<u>\$ 13,396,601</u>
Component units' net assets as of December 31, 2005	\$ 35,175,541
Understated capital assets, net of accumulated depreciation	5,557,385
Understated special assessment receivable	<u>576,171</u>
Restated component units' net assets as of December 31, 2005	<u>\$ 41,309,097</u>

REQUIRED SUPPLEMENTARY INFORMATION

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 5,850,000	\$ 5,950,000	\$ 6,168,288	\$ 218,288
Mobile home park taxes	7,000	7,000	6,160	(840)
Total taxes	5,857,000	5,957,000	6,174,448	217,448
Licenses and permits				
Dog licenses	140,000	155,000	157,105	2,105
Business licenses	-	-	175	175
Total licenses and permits	140,000	155,000	157,280	2,280
Intergovernmental - Federal/State				
Emergency management	8,000	8,000	5,966	(2,034)
Homeland security	25,130	90,130	50,213	(39,917)
Cooperative reimbursement - Prosecutor	63,900	63,900	65,814	1,914
Probate judge's salary	146,900	146,900	147,766	866
Circuit judge's salary	94,100	94,100	79,680	(14,420)
District judge's salary	45,700	45,700	45,724	24
Juvenile officer	27,200	27,200	34,146	6,946
Inmate trial	20,000	20,000	57,737	37,737
Court equity	290,000	323,000	323,291	291
Jury fees	13,000	23,000	19,038	(3,962)
District court case flow assistance	17,000	17,000	13,366	(3,634)
Victim's Rights Act	44,000	51,000	51,233	233
Sheriff secondary road patrol	95,800	99,671	101,795	2,124
Cigarette tax	36,100	36,100	36,333	233
Marine safety	5,000	25,075	24,709	(366)
Remonumentation	69,068	69,728	69,728	-0-
Liquor law enforcement	138,900	138,900	146,863	7,963
Community corrections	161,200	153,695	110,163	(43,532)
Enforcement grant	-	56,870	30,179	(26,691)
CMET	62,500	69,950	59,111	(10,839)
High intensity drug trafficking areas	-	3,960	3,931	(29)
Other	3,900	27,947	23,296	(4,651)
Total intergovernmental - Federal/State	1,367,398	1,591,826	1,500,082	(91,744)
Intergovernmental - Local	1,000	49,300	49,300	-0-

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit Court	\$ 75,000	\$ 92,000	\$ 90,104	\$ (1,896)
District Court	905,600	905,600	919,996	14,396
Friend of the Court	7,000	7,000	7,460	460
Probate Court	35,000	35,000	29,733	(5,267)
County Treasurer	4,000	4,000	5,609	1,609
County Clerk	70,000	70,000	59,260	(10,740)
Register of Deeds	533,000	533,000	485,127	(47,873)
Prosecuting attorney	23,500	23,500	15,571	(7,929)
Drain Commissioner	10,000	10,000	7,143	(2,857)
Juvenile Court	43,000	43,000	34,235	(8,765)
Sheriff Department	170,000	179,000	180,367	1,367
Jail	21,200	21,200	23,754	2,554
Equalization	5,000	5,000	4,803	(197)
Abstract department	45,000	45,000	27,588	(17,412)
Animal control	13,500	13,500	8,091	(5,409)
Other	1,000	6,000	2,735	(3,265)
Total charges for services	1,961,800	1,992,800	1,901,576	(91,224)
Fines and forfeits				
Bond forfeitures	18,000	18,000	56,723	38,723
Ordinance finds and cost	180,000	180,000	162,951	(17,049)
Total fines and forfeits	198,000	198,000	219,674	21,674
Interest and rents				
Interest on investments	140,000	220,000	237,123	17,123
Rents	34,800	34,800	33,944	(856)
Total interest and rents	174,800	254,800	271,067	16,267
Other				
Reimbursements and refunds	557,240	552,990	633,718	80,728
Other	-	13,500	19,509	6,009
Total other	557,240	566,490	653,227	86,737
TOTAL REVENUES	10,257,238	10,765,216	10,926,654	161,438

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in				
Central Dispatch	\$ 29,500	\$ 29,500	\$ 29,500	\$ -0-
Parks & Recreation	13,500	13,500	-	(13,500)
Friend of the Court	103,300	103,300	-	(103,300)
Delinquent Tax Revolving	-	-	1,845,500	1,845,500
Public Health	58,300	58,300	-	(58,300)
Resource Recovery	9,900	9,900	-	(9,900)
Commission on Aging	190,600	190,600	-	(190,600)
Child Care	45,600	45,600	-	(45,600)
Revenue Sharing Reserve	1,073,000	1,073,000	1,074,219	1,219
Building Inspector	195,000	195,000	158,500	(36,500)
TOTAL OTHER FINANCING SOURCES	<u>1,718,700</u>	<u>1,718,700</u>	<u>3,107,719</u>	<u>1,389,019</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 11,975,938</u>	<u>\$ 12,483,916</u>	<u>\$ 14,034,373</u>	<u>\$ 1,550,457</u>

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 122,850	\$ 116,700	\$ 101,596	\$ 15,104
Circuit Court	569,010	606,010	663,045	(57,035)
District Court	890,640	901,540	878,017	23,523
Probate Court	485,250	481,250	436,986	44,264
Juvenile Court	371,970	365,670	382,900	(17,230)
County Administrator	207,050	222,300	209,073	13,227
Finance	241,650	223,850	218,094	5,756
Clerk	216,100	219,600	214,963	4,637
Data processing	202,550	177,150	164,024	13,126
Treasurer	187,000	189,450	184,061	5,389
Equalization	172,450	178,150	165,748	12,402
Cooperative extension	210,030	212,130	206,802	5,328
Elections	117,050	119,050	82,160	36,890
Courthouse and grounds	655,400	715,550	665,623	49,927
Prosecuting Attorney	497,910	520,210	504,199	16,011
Register of Deeds	135,190	135,290	130,971	4,319
Soil Conservation	-	10,000	10,000	-0-
Abstract	54,250	50,750	48,143	2,607
Remonumentation	69,068	69,728	69,728	-0-
Fleet maintenance	36,000	35,990	32,430	3,560
Communications	58,000	58,000	49,932	8,068
Other	288,422	108,180	22,602	85,578
Total general government	5,787,840	5,716,548	5,441,097	275,451
Public safety				
Sheriff	1,330,090	1,640,567	1,550,113	90,454
CMET	62,500	122,550	120,942	1,608
Secondary Road Patrol	116,220	132,600	125,436	7,164
Marine safety	8,030	25,075	24,698	377
Community corrections	161,200	153,695	98,039	55,656
Emergency services	28,430	26,430	85,280	(58,850)
Jail	1,874,680	2,002,880	1,950,957	51,923
Animal control	185,950	181,050	175,645	5,405
Total public safety	3,767,100	4,284,847	4,131,110	153,737
Public works				
Drain commissioner	153,650	157,000	153,142	3,858
Department of public works	1,150	1,950	1,786	164
Drains at large	98,600	98,600	98,586	14
Total public works	253,400	257,550	253,514	4,036

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Health and welfare				
Contagious diseases	\$ 8,000	\$ 8,000	\$ 50	\$ 7,950
Substance abuse	65,350	68,550	68,460	90
Medical examiner	87,000	84,000	61,998	22,002
Veterans	34,600	34,600	30,799	3,801
Aging	2,400	2,400	2,058	342
Mental Health	163,000	163,000	163,000	-0-
Social Welfare	5,500	5,500	5,500	-0-
Total health and welfare	365,850	366,050	331,865	34,185
Community and economic development				
Community development	36,040	34,040	30,226	3,814
Planning department	24,898	11,598	8,338	3,260
Economic development	55,000	55,000	55,000	-0-
Total community and economic development	115,938	100,638	93,564	7,074
Other				
Insurance and bonds	319,500	306,500	343,215	(36,715)
Record copy	46,000	46,000	45,884	116
Total other	365,500	352,500	389,099	(36,599)
TOTAL EXPENDITURES	10,655,628	11,078,133	10,640,249	437,884
OTHER FINANCING USES				
Transfers out				
Airport	4,000	4,000	4,000	-0-
Public Health	246,800	246,800	188,796	58,004
Resource recovery	26,810	26,810	16,910	9,900
Friend of the Court	103,300	103,300	2,454	100,846
Law Library	2,000	2,000	2,000	-0-
Soldier's and Sailors relief	200	200	200	-0-
Child Care Probate	675,600	775,600	775,600	-0-
Commission on Aging	190,600	174,850	50,000	124,850
Parks and Recreation	71,000	71,000	57,500	13,500
TOTAL OTHER FINANCING USES	1,320,310	1,404,560	1,097,460	307,100
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 11,975,938	\$ 12,482,693	\$ 11,737,709	\$ 744,984

Ionia County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,893,066	\$ 793,066
Interest	-	-	24,512	24,512
TOTAL REVENUES	1,100,000	1,100,000	1,917,578	817,578
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	1,100,000	1,100,000	1,917,578	817,578
OTHER FINANCING USES				
Transfers out	(1,100,000)	(1,100,000)	(1,074,219)	25,781
NET CHANGE IN FUND BALANCE	-0-	-0-	843,359	843,359
Fund balance, beginning of year	416,763	416,763	416,763	-0-
Prior period adjustment	-	-	1,893,064	1,893,064
Fund balance, end of year	<u>\$ 416,763</u>	<u>\$ 416,763</u>	<u>\$ 3,153,186</u>	<u>\$ 2,736,423</u>

OTHER SUPPLEMENTARY INFORMATION

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2006

	Special		
	Parks and Recreation	Friend of the Court	Public Health
ASSETS			
Cash and cash equivalents	\$ 26,062	\$ 77,046	\$ 519,605
Investments	-	-	-
Accounts receivable	-	-	83,408
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	-	148,246	8,609
Local	-	-	-
TOTAL ASSETS	<u>\$ 26,062</u>	<u>\$ 225,292</u>	<u>\$ 611,622</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 601	\$ 973	\$ 21,169
Accrued liabilities	855	10,191	1,438
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,456	11,164	22,607
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Building improvements	-	-	-
Unreserved			
Designated for	-	-	-
Facilities	-	-	-
Paid time off	3,500	53,500	94,000
Medicaid	-	-	280,000
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	21,106	160,628	215,015
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u>24,606</u>	<u>214,128</u>	<u>589,015</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,062</u>	<u>\$ 225,292</u>	<u>\$ 611,622</u>

Revenue					
Resource Recovery	Building Inspection	Register of Deeds Automation	Budget Stabilization	Designated Contributions	Central Dispatch
\$ 23,356	\$ 115,396	\$ 162,985	\$ 5,000	\$ 144,797	\$ 202,385
-	-	-	-	-	200,000
85,902	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,341	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 118,599</u>	<u>\$ 115,396</u>	<u>\$ 162,985</u>	<u>\$ 5,000</u>	<u>\$ 144,797</u>	<u>\$ 402,385</u>
\$ 852	\$ 30	\$ -	\$ -	\$ 23	\$ 14,830
664	202	-	-	-	15,213
50,000	-	-	-	-	-
-	-	-	-	35,989	13,532
51,516	232	-0-	-0-	36,012	43,575
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	101,520
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	50,500
-	-	-	-	-	-
-	-	-	-	-	139,500
-	-	-	-	108,785	-
67,083	115,164	162,985	5,000	-	67,290
-	-	-	-	-	-
<u>67,083</u>	<u>115,164</u>	<u>162,985</u>	<u>5,000</u>	<u>108,785</u>	<u>358,810</u>
<u>\$ 118,599</u>	<u>\$ 115,396</u>	<u>\$ 162,985</u>	<u>\$ 5,000</u>	<u>\$ 144,797</u>	<u>\$ 402,385</u>

Ionía County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special		
	Community Corrections	Drug Forfeiture	Corrections Training
ASSETS			
Cash and cash equivalents	\$ 10,323	\$ 22,599	\$ 14,629
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	20,547	-	-
Local	-	-	1,893
TOTAL ASSETS	<u>\$ 30,870</u>	<u>\$ 22,599</u>	<u>\$ 16,522</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	586	-	-
Due to other funds	30,000	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	30,586	-0-	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Building and improvements	-	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	-	-	-
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	284	22,599	16,522
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>284</u>	<u>22,599</u>	<u>16,522</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,870</u>	<u>\$ 22,599</u>	<u>\$ 16,522</u>

Revenue					
Vehicle Forfeiture	Special Investigative	Law Library	Commission on Aging	Community Development Block Grant	OCYS Basic Grant
\$ 3,322	\$ 9,694	\$ 1,806	\$ 132,203	\$ 4,364	\$ 2,563
-	-	-	-	-	-
-	-	-	15,922	-	-
-	-	-	451,484	-	-
-	-	-	7,015	-	-
-	-	-	80,491	16,564	6,250
-	-	-	-	-	-
<u>\$ 3,322</u>	<u>\$ 9,694</u>	<u>\$ 1,806</u>	<u>\$ 687,115</u>	<u>\$ 20,928</u>	<u>\$ 8,813</u>
\$ -	\$ -	\$ 1,123	\$ 15,687	\$ 16,564	\$ 1,250
-	-	-	20,868	-	-
-	-	-	120,000	-	7,000
-	-	-	509,339	-	-
-0-	-0-	1,123	665,894	16,564	8,250
-	-	-	7,015	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,322	9,694	683	14,206	4,364	563
-	-	-	-	-	-
<u>3,322</u>	<u>9,694</u>	<u>683</u>	<u>21,221</u>	<u>4,364</u>	<u>563</u>
<u>\$ 3,322</u>	<u>\$ 9,694</u>	<u>\$ 1,806</u>	<u>\$ 687,115</u>	<u>\$ 20,928</u>	<u>\$ 8,813</u>

Ionía County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special		
	Juvenile Accountability Block Grant	Child Care	Soldier and Sailors Relief
ASSETS			
Cash and cash equivalents	\$ 565	\$ 266,738	\$ 7,319
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	-	109,225	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 565</u>	<u>\$ 375,963</u>	<u>\$ 7,319</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 79,983	\$ -
Accrued liabilities	-	2,313	-
Due to other funds	-	290,000	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	372,296	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Building improvements	-	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	-	3,667	-
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	565	-	7,319
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>565</u>	<u>3,667</u>	<u>7,319</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 565</u>	<u>\$ 375,963</u>	<u>\$ 7,319</u>

Revenue		Debt Service		Capital Projects
Veterans' Trust	Courts Security	Sewer System Bonds	Health Building Debt	General Fund Designated
\$ 506	\$ 274,955	\$ 11,326	\$ 88,187	\$ -
-	-	-	180,000	2,751,116
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,620,000	-	-
<u>\$ 506</u>	<u>\$ 274,955</u>	<u>\$ 1,631,326</u>	<u>\$ 268,187</u>	<u>\$ 2,751,116</u>
\$ 91	\$ 20	\$ -	\$ -	\$ 43,703
-	1,025	-	-	-
-	-	-	-	-
-	-	1,620,000	-	5,958
91	1,045	1,620,000	-0-	49,661
-	-	-	-	-
-	-	-	-	-
-	-	11,326	268,187	-
-	-	-	-	-
-	225,000	-	-	2,202,500
-	3,000	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
415	45,910	-	-	-
-	-	-	-	498,955
<u>415</u>	<u>273,910</u>	<u>11,326</u>	<u>268,187</u>	<u>2,701,455</u>
<u>\$ 506</u>	<u>\$ 274,955</u>	<u>\$ 1,631,326</u>	<u>\$ 268,187</u>	<u>\$ 2,751,116</u>

Ionía County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Capital Projects		Permanent
	2006 BPW Construction	Johnson Road Improvement	Cemetery Perpetual Care
ASSETS			
Cash and cash equivalents	\$ 7,372	\$ 153,063	\$ 7,105
Investments	-	-	284,500
Accounts receivable	-	36,673	-
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	-	-	-
Local	1,500,000	-	-
TOTAL ASSETS	\$ 1,507,372	\$ 189,736	\$ 291,605
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	1,500,000	-	-
TOTAL LIABILITIES	1,500,000	-0-	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	291,605
Debt service	-	-	-
Building improvements	-	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	-	-	-
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	-	-	-
Capital projects funds	7,372	189,736	-
TOTAL FUND BALANCES	7,372	189,736	291,605
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,507,372	\$ 189,736	\$ 291,605

Total
Nonmajor
Governmental
Funds

\$ 2,295,271
3,415,616
221,905
451,484
7,015

399,273
3,121,893

\$ 9,912,457

\$ 196,899
53,355
497,000
3,684,818

4,432,072

7,015
291,605
279,513
101,520

2,427,500
208,167
280,000
139,500
108,785

940,717
696,063

5,480,385

\$ 9,912,457

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	Special		
	Parks and Recreation	Friend of the Court	Public Health
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	551,157	1,000,918
Intergovernmental - Local	-	-	440
Charges for services	9,230	87,472	447,478
Fines and forfeits	-	-	620
Interest and rents	21,770	-	-
Other	2,729	-	108,491
TOTAL REVENUES	33,729	638,629	1,557,947
EXPENDITURES			
Current			
General government	-	711,557	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	1,846,591
Community and economic development	-	-	-
Recreation and cultural	92,474	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	92,474	711,557	1,846,591
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58,745)	(72,928)	(288,644)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	57,500	2,454	188,796
Transfers out	-	-	(126,000)
TOTAL OTHER FINANCING SOURCES (USES)	57,500	2,454	62,796
NET CHANGE IN FUND BALANCES	(1,245)	(70,474)	(225,848)
Fund balances, beginning of year	25,851	284,602	814,863
Fund balances, end of year	\$ 24,606	\$ 214,128	\$ 589,015

Revenue

Resource Recovery	Building Inspection	Register of Deeds Automation	Budget Stabilization	Designated Contributions	Central Dispatch
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	344,866	-	-	-	-
37,653	-	-	-	1,145	-
-	-	-	-	-	-
48,832	-	74,635	-	309	1,070,682
-	-	-	-	-	-
-	-	6,272	-	-	12,654
515	-	-	-	10,611	3,279
87,000	344,866	80,907	-0-	12,065	1,086,615
-	-	31,226	-	-	-
-	365,661	-	-	11,243	1,192,865
87,845	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	790	-
-	-	-	-	-	96,684
-	-	-	-	-	-
87,845	365,661	31,226	-0-	12,033	1,289,549
(845)	(20,795)	49,681	-0-	32	(202,934)
-	-	-	-	-	-
16,910	-	-	-	100,000	-
-	(158,500)	-	-	-	(29,500)
16,910	(158,500)	-0-	-0-	100,000	(29,500)
16,065	(179,295)	49,681	-0-	100,032	(232,434)
51,018	294,459	113,304	5,000	8,753	591,244
\$ 67,083	\$ 115,164	\$ 162,985	\$ 5,000	\$ 108,785	\$ 358,810

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2006

	Special		
	Community Corrections	Drug Forfeiture	Corrections Training
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	28,523	-	-
Intergovernmental - Local	-	-	-
Charges for services	-	-	27,064
Fines and forfeits	-	584	-
Interest and rents	-	1,020	-
Other	-	-	200
TOTAL REVENUES	28,523	1,604	27,264
EXPENDITURES			
Current			
General government	-	-	-
Public safety	28,239	1,732	39,446
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	28,239	1,732	39,446
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	284	(128)	(12,182)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	284	(128)	(12,182)
Fund balances, beginning of year	-	22,727	28,704
Fund balances, end of year	\$ 284	\$ 22,599	\$ 16,522

Revenue					
Vehicle Forfeiture	Special Investigative	Law Library	Commission on Aging	Community Development Block Grant	OCYS Basic Grant
\$ -	\$ -	\$ -	\$ 459,722	\$ -	\$ -
-	-	-	-	-	15,000
-	-	-	621,866	230,681	-
-	-	-	-	-	-
-	-	-	118,145	-	-
-	-	6,639	-	-	-
-	-	-	-	58	-
-	-	-	222,198	47,111	-
-0-	-0-	6,639	1,421,931	277,850	15,000
-	-	10,420	-	-	15,000
-	345	-	-	-	-
-	-	-	-	-	-
-	-	-	1,479,270	-	-
-	-	-	-	311,314	-
-	-	-	-	-	-
-	-	-	33,780	-	-
-	-	-	-	-	-
-0-	345	10,420	1,513,050	311,314	15,000
-0-	(345)	(3,781)	(91,119)	(33,464)	-0-
-	-	-	-	-	-
-	-	2,000	73,000	-	-
-	-	-	-	-	-
-0-	-0-	2,000	73,000	-0-	-0-
-0-	(345)	(1,781)	(18,119)	(33,464)	-0-
3,322	10,039	2,464	39,340	37,828	563
<u>\$ 3,322</u>	<u>\$ 9,694</u>	<u>\$ 683</u>	<u>\$ 21,221</u>	<u>\$ 4,364</u>	<u>\$ 563</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2006

	Special		
	Juvenile Accountability Block Grant	Child Care	Soldiers and Sailors Relief
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	603	412,084	-
Intergovernmental - local	-	-	-
Charges for services	-	44,988	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	603	457,072	-0-
EXPENDITURES			
Current			
General government	670	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	1,200,214	39
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	670	1,200,214	39
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(67)	(743,142)	(39)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	-	783,600	200
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	783,600	200
NET CHANGE IN FUND BALANCES	(67)	40,458	161
Fund balances, beginning of year	632	(36,791)	7,158
Fund balances, end of year	\$ 565	\$ 3,667	\$ 7,319

Revenue		Debt Service		Capital Projects
Veterans' Trust	Courts Security	Sewer System Bonds	Health Building Debt	General Fund Designated
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,010	-	-	-	335,094
-	-	520,393	-	-
-	95,148	-	-	27,241
-	-	-	-	-
-	-	-	90,093	101,392
-	-	-	5,000	81,900
1,010	95,148	520,393	95,093	545,627
-	73,590	-	-	39,208
-	-	-	-	28,512
-	-	-	-	-
2,461	-	-	-	-
-	-	-	-	-
-	-	-	-	1,972
-	-	-	-	848,596
-	-	528,100	75,904	-
2,461	73,590	528,100	75,904	918,288
(1,451)	21,558	(7,707)	19,189	(372,661)
-	-	-	-	-
-	-	-	-	1,652,500
-	-	-	-	(23,000)
-0-	-0-	-0-	-0-	1,629,500
(1,451)	21,558	(7,707)	19,189	1,256,839
1,866	252,352	19,033	248,998	1,444,616
\$ 415	\$ 273,910	\$ 11,326	\$ 268,187	\$ 2,701,455

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2006

	Capital Projects		Permanent
	2006 BPW Construction	Johnson Road Improvement	Cemetery Perpetual Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Intergovernmental - Local	-	-	-
Charges for services	-	20,928	-
Fines and forfeits	-	-	-
Interest and rents	16,542	6,877	18,757
Other	-	-	-
TOTAL REVENUES	16,542	27,805	18,757
EXPENDITURES			
Current			
General government	-	-	9,998
Public safety	-	-	-
Public works	1,509,170	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,509,170	-0-	9,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,492,628)	27,805	8,759
OTHER FINANCING SOURCES (USES)			
Bond proceeds	1,500,000	-	-
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,500,000	-0-	-0-
NET CHANGE IN FUND BALANCES	7,372	27,805	8,759
Fund balances, beginning of year	-	161,931	282,846
Fund balances, end of year	\$ 7,372	\$ 189,736	\$ 291,605

Total
Nonmajor
Governmental
Funds

\$ 459,722
359,866
3,220,734
520,833
2,072,152
7,843
275,435
482,034

7,398,619

891,669
1,668,043
1,597,015
4,528,575
311,314
95,236
979,060
604,004

10,674,916

(3,276,297)

1,500,000
2,876,960
(337,000)

4,039,960

763,663

4,716,722

\$ 5,480,385

Ionia County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2006

	Trust and Agency	Current Tax	Payroll	Library
ASSETS				
Cash and cash equivalents	\$ 268,716	\$ 189,404	\$ 30,901	\$ 322,019
Cash -restricted	173,686	-	19,561	-
TOTAL ASSETS	<u>\$ 442,402</u>	<u>\$ 189,404</u>	<u>\$ 50,462</u>	<u>\$ 322,019</u>
LIABILITIES				
Due to other governmental units	\$ 191,840	\$ 189,404	\$ -	\$ 322,019
Due to individuals and agencies	250,562	-	50,462	-
TOTAL LIABILITIES	<u>\$ 442,402</u>	<u>\$ 189,404</u>	<u>\$ 50,462</u>	<u>\$ 322,019</u>

Pension	Total Agency Funds
\$ 621,868	\$ 1,432,908
-	193,247
<u>\$ 621,868</u>	<u>\$ 1,626,155</u>
\$ 621,868	\$ 1,325,131
-	301,024
<u>\$ 621,868</u>	<u>\$ 1,626,155</u>

Ionia County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2006

	Capital Projects		Internal Service
	County Drain	Brisbin Village Drain	Drain Equipment Revolving
ASSETS			
Cash and cash equivalents	\$ 1,294,503	\$ 1,435	\$ 25,000
Special assessments receivable	445,821	-	-
Due from other funds	-	53,565	-
Due from other governmental units	30,127	-	-
TOTAL ASSETS	<u>\$ 1,770,451</u>	<u>\$ 55,000</u>	<u>\$ 25,000</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,401	\$ -	\$ 1,661
Due to other funds	53,565	-	-
Deferred revenue	514,632	-	-
Due to other governmental units	-	55,000	8,000
TOTAL LIABILITIES	<u>582,598</u>	<u>55,000</u>	<u>9,661</u>
FUND EQUITY			
Unrestricted net assets	-	-	15,339
Unreserved, designated for capital expenditures	<u>1,187,853</u>	<u>-</u>	<u>-</u>
TOTAL FUND EQUITY	<u>1,187,853</u>	<u>-0-</u>	<u>15,339</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,770,451</u>	<u>\$ 55,000</u>	<u>\$ 25,000</u>

Total
\$ 1,320,938
445,821
53,565
30,127
<u>\$ 1,850,451</u>

\$ 16,062
53,565
514,632
63,000
<u>647,259</u>
15,339
<u>1,187,853</u>
<u>1,203,192</u>
<u>\$ 1,850,451</u>

Ionia County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2006

Total fund balance - governmental funds \$ 1,187,853

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	7,777,220	
Accumulated depreciation is	<u>(1,800,111)</u>	
Capital assets, net		5,977,109

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The assets and liabilities of the Internal Service
Fund are included in the governmental activities in the Government-wide
Statement of Net Assets.

15,339

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		514,632
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	1,750,563	
Accrued interest payable	<u>28,666</u>	
		<u>(1,779,229)</u>

Net assets of governmental activities \$ 5,915,704

Ionia County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

	Capital Projects		
	County Drain	Brisbin Village Drain	Total
REVENUES			
Intergovernmental	\$ 98,586	\$ -	\$ 98,586
Other			
Other	67,512	-	67,512
Special assessments	620,619	-	620,619
TOTAL REVENUES	786,717	-0-	786,717
EXPENDITURES			
Current			
Public works	822,526	-	822,526
Debt service			
Principal	373,657	-	373,657
Interest	62,100	-	62,100
TOTAL EXPENDITURES	1,258,283	-0-	1,258,283
EXCESS OF REVENUES (UNDER) EXPENDITURES	(471,566)	-0-	(471,566)
OTHER FINANCING SOURCES			
Bond proceeds	542,900	-	542,900
NET CHANGE IN FUND BALANCES	71,334	-0-	71,334
Fund balances, beginning of year	1,160,968	-	1,160,968
Prior period adjustment	(44,449)	-	(44,449)
Fund balances, end of year	<u>\$ 1,187,853</u>	<u>\$ -0-</u>	<u>\$ 1,187,853</u>

Ionia County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 71,334

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	481,500	
Depreciation expense	<u>(155,543)</u>	325,957

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets for the internal service funds was: 3,311

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

(Decrease) in deferred revenue	(105,988)
--------------------------------	-----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(542,900)	
Bond discount	(6,546)	
Bond and note principal retirement	<u>373,657</u>	(169,243)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(7,659)</u>
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Change in net assets of governmental activities \$ 117,712

Ionia County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES - DRAINAGE DISTRICTS

Year Ended December 31, 2006

	<u>Drain Equipment Revolving</u>
OPERATING REVENUES	
Charges for services	\$ 35,382
OPERATING EXPENSES	
Contractual services	<u>32,071</u>
CHANGE IN NET ASSETS	3,311
Net assets, beginning of year	<u>12,028</u>
Net assets, end of year	<u><u>\$ 15,339</u></u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
- DRAINAGE DISTRICTS

Year Ended December 31, 2006

	Drain Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from users	\$ 37,515
Cash paid to suppliers	<u>(30,410)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	7,105
Cash and cash equivalents, beginning of year	<u>17,895</u>
Cash and cash equivalents, end of year	<u><u>\$ 25,000</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 3,311
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in due from other funds	2,133
Increase in accounts payable	<u>1,661</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 7,105</u></u>

Ionia County, Michigan

Component Unit Funds

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

December 31, 2006

ASSETS

Cash and cash equivalents

\$ 1,054

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other governmental units

\$ 1,054

FUND BALANCE

Unreserved - undesignated

-

TOTAL LIABILITIES AND FUND BALANCE

\$ 1,054

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of December 31, 2006.

Ionia County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended December 31, 2006

REVENUES	
Intergovernmental	\$ 123,129
EXPENDITURES	
Current	
Community and economic development	<u>123,129</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended December 31, 2006.

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Ionia County
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County as of and for the year then ended December 31, 2006, which collectively comprise the Ionia County basic financial statements and have issued our report thereon dated June 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ionia County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ionia County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2006-1 CREDIT CARD POLICY

Condition: During the course of our audit, it was noted that the County has not adopted a formal written credit card policy as required by Public Act 266 of 1955 (MCL 129.241). Currently the Central Dispatch has a credit card and therefore the County is in violation of this public act.

Criteria: Entities with credit cards are required to adopt a formal written credit card policy as required by Public Act 266 of 1955 (MCL 129.241).

Cause: The Central Dispatch is using a credit card and the County has not adopted a credit card policy.

2006-1 CREDIT CARD POLICY - CONTINUED

Effect: Currently the County is in violation of Public Act 266 of 1955 (MCL 129.241) because of the Central Dispatch having a credit card.

Corrective Action Response: In 1992, the Board of Commissioners took action requesting the return of all credit cards and, in essence, banning the use of county credit cards. It has been our position that no credit cards were allowed to be issued to any agent or employee of the County of Ionia under the name of the County. However, the County Administrator is currently developing a written policy under the guidelines of Public Act 266 of 1995 and Treasury Letter 1996-2. It is expected that this policy will be under consideration by the Board of Commissioners as soon as July 2007.

2006-2 PROPER RECORDING OF REVENUES AND EXPENDITURES

Condition: During the course of our audit it was noted that revenues and expenditures for the Cemetery Trust were being improperly recorded directly to fund balance. Similarly debt service fund revenues were being posted to expenditure accounts.

Criteria: Revenues and expenditures should be posted correctly to their respective accounts.

Cause: The County Treasurer has always posted the revenues and expenditures directly to fund balance because the Cemetery Trust Fund used to be considered a fiduciary fund prior to GASB 34. Since the implementation of GASB 34 the Cemetery Trust Fund is now considered a Permanent Fund.

Effect: The financial statements were not in accordance with generally accepted accounting principles due to the misreporting of revenues and expenditures.

Corrective Action Response: This has been implemented for the Cemetery Trust and will be implemented for the debt service funds in 2007.

2006-3 FRAUD RISK MANAGEMENT

Condition: During the course of our audit it was noted that in the County has not adopted a formal anti-fraud program.

Criteria: A fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Cause: The County was unaware of the need to adopt a fraud risk management program.

Effect: Anti-fraud programs should be part of the County's internal controls to allow employees avenues to communicate fraud to responsible officials of the County.

Corrective Action Response: The County Administrator has obtained an excerpt from the Statement of Auditing Standards No. 99 entitled *Management Antifraud Programs and Controls*, which will be used as a guideline for developing an over antifraud management program. It is expected that the program and related policies will be in place by Fall 2007.

2006-4 FAIR MARKET VALUE OF INVESTMENTS

Condition: During the course of our audit, it was noted that investments are recorded at historical cost, meaning that accrued interest for the County's investments is not being recorded in the general ledger.

Criteria: Generally accepted accounting principles require that investments be reported at fair market value, which includes the recording of investment income or gains/losses in the financial statements.

Cause: Investments are recorded at historical cost without any adjustments to the fair market value.

Effect: The financial statements were not in accordance with generally accepted accounting principles due to the misreporting of investments at historical cost.

2006-4 FAIR MARKET VALUE OF INVESTMENTS - CONTINUED

Corrective Action Response: This will be implemented by the County Treasurer in 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies described below to be material weaknesses in internal control over financial reporting.

2006-5 RESTATEMENT OF NET ASSETS

Condition: During the course of our audit, it was noted that previously issued financial statements were materially misstated. A restatement of net assets has been recorded to reflect the correction of this material misstatement.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statement, in conformity with accounting principles generally accepted in the United States of America.

Cause: The County was relying on their external auditors for the fair presentation of the financial statements.

Effect: Previously issued financial statements were material misstated and management was unaware of the misstatements.

Corrective Action Response: This has been corrected.

2006-6 PREPARATION OF FINANCIAL STATEMENTS

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Criteria: All Michigan governments are required to prepare financial statements in accordance with GAAP. This is a responsibility of the government's management. The preparation of financial statement in accordance with GAAP required internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Corrective Action Response: It is understood from a discussion with the audit team that this recommendation is the result of more stringent standards being placed on auditors. We will begin reviewing the process for developing and preparing financial statements and work toward correcting this as soon as administratively possible.

Compliance and other matters

As part of obtaining reasonable assurance about whether Ionia County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2006-7 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The County's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the General Fund.

Effect: The County adopted the budget for the General Fund at the activity level and at the total fund level for the Special Revenue Funds. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Corrective Action Response: The 2006 Fiscal Year was the first in which the County enacted a true accrual system of accounting. In the past, accrual entries were made during the audit, and reflected in the audit. During this transition we found that we needed to develop a better process for recognizing expenditures prior to the end of the fiscal year so that budget adjustments could be made. This process has been developed and will be implemented as we close the 2007 fiscal year.

We noted certain matters that we reported to management and the Board of Commissioners of Ionia County in a separate letter dated June 12, 2007.

Ionia County's responses to the findings identified in our audit are described above. We did not audit Ionia County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Ionia County, others within the County, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 12, 2007

Ionia County, Michigan

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2006

Ionia County, Michigan

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Ionia County
Ionia, Michigan

Compliance

We have audited the compliance of Ionia County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Ionia County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ionia County's management. Our responsibility is to express an opinion on Ionia County's compliance based on our audit.

Ionia County's basic financial statements include the operations of the Ionia County Road Commission, which received \$919,581 in federal awards during the year ended December 31, 2006. Our audit, described below, did not include the operations of the Ionia County Road Commission because the component unit has engaged other auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ionia County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ionia County's compliance with those requirements.

In our opinion, Ionia County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ending December 31, 2006.

Internal Control Over Compliance

The management of Ionia County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ionia County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ionia County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as identified above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County as of and for the year ended December 31, 2006, and have issued our report thereon dated June 12, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Ionia County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Ionia County, Michigan and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 12, 2007

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE					
Passed through Michigan Department of Community Health Women, Infants and Children (WIC)					
FY 05-06 Regular	10.557	XX4W1006	\$ 197,142	\$ 197,142	\$ 197,142
FY 06-07 Regular		XX4W1006	<u>196,761</u>	<u>48,310</u>	<u>48,310</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			393,903	245,452	245,452
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Michigan State Housing Development Authority Community Development Block Grant - State's Program ^(C)	14.228	MSC-2004-0786-HOA	275,000	230,681	230,681
U.S. DEPARTMENT OF JUSTICE					
Passed through Office of Community Oriented Police Services Juvenile Accountability Block Grant	16.523	N/A	603	603	603
Bulletproof Vest Partnership Program	16.607	N/A	13,804	5,958	5,958
Passed through Michigan Department of Community Health Office of Drug Control Policy High Intensity Drug Trafficking Areas	16.UNK	N/A	3,931	3,931	3,931
Edward Byrne Memorial Justice Assistance Grant Program FY 06-07	16.738	N/A	59,111	59,111	59,111
Passed through Michigan State Police Office of Highway Safety Planning Youth Alcohol Enforcement Grant	16.727	JJ-06-25	<u>17,000</u>	<u>5,751</u>	<u>5,751</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			94,449	75,354	75,354
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Michigan State Police Office of Highway Safety Planning Enforcement Grant	20.600	PT-06-26	39,867	24,428	24,428

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Passed through Michigan Department of Environmental Quality					
State Grants to Reimburse Operations of Small					
Water Systems for Training and Certification Cost					
FY 05-06	66.471	N/A	\$ 3,600	\$ 3,600	\$ 3,600
FY 06-07		N/A	<u>3,800</u>	<u>950</u>	<u>950</u>
			7,400	4,550	4,550
State Drinking Water Revolving Fund					
FY 05-06	66.468	N/A	2,125	2,125	2,125
FY 06-07		N/A	<u>750</u>	<u>187</u>	<u>187</u>
			2,875	2,312	2,312
(Direct Program)					
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96562501-0	<u>400,000</u>	<u>123,129</u>	<u>123,129</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			410,275	129,991	129,991
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through State Department of Office on Services to the Aging					
and Area Agency on Aging of Western Michigan					
Title III-D Special Programs for Aging (In-Home Services)	93.043				
FY 05-06		N/A	2,000	1,000	1,000
Title III-B Special Programs for Aging ^(d)	93.044				
(Chore, Case Coordination, Homecare Assistance,					
In-Home Respite, and Information and Assistance)					
FY 05-06		N/A	47,170	11,224	11,224
FY 06-07		N/A	<u>47,170</u>	<u>10,609</u>	<u>10,609</u>
			94,340	21,833	21,833

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan - continued					
Title III-C Special Programs for the Aging ^(d) (Nutrition Services)	93.045				
FY 05-06 Nutrition Congregate		N/A	\$ 114,200	\$ 77,730	\$ 77,730
FY 06-07 Nutrition Congregate		N/A	114,200	19,582	19,582
FY 05-06 Nutrition Home Delivered Meals		N/A	89,800	53,093	53,093
FY 06-07 Nutrition Home Delivered Meals		N/A	<u>87,800</u>	<u>17,746</u>	<u>17,746</u>
			406,000	168,151	168,151
Title III-E Special Programs for Aging (Nation Family Caregiver Support Program)	93.052				
FY 05-06		N/A	47,185	30,614	30,614
FY 06-07		N/A	<u>45,940</u>	<u>3,140</u>	<u>3,140</u>
			93,125	33,754	33,754
Nutrition Services Incentive Program ^(d)	93.053				
FY 05-06 Regular		N/A	102,776	68,517	68,517
FY 06-07 Regular		N/A	<u>120,546</u>	<u>18,646</u>	<u>18,646</u>
			223,322	87,163	87,163
Passed through Michigan Department of Community Health Family Planning Project					
FY 05-06	93.217	05H000173	48,226	48,226	48,226
FY 06-07		05H000173	<u>39,302</u>	<u>9,930</u>	<u>9,930</u>
			87,528	58,156	58,156

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through Michigan Department of Community Health - continued					
Immunization Grants	93.268				
FY 05-06 IAP		H23 CCH522556	\$ 27,155	\$ 27,155	\$ 27,155
FY 06-07 IAP		H23 CCH522556	27,439	3,364	3,364
FY 05-06 Vaccine Supply		N/A	156,640	156,640	156,640
FY 06-07 Vaccine Supply		N/A	43,255	43,255	43,255
FY 04-05 VFC Site Visits ^(f)		H23CCH522556	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>
			256,289	232,214	232,214
Centers for Disease Control and Prevention -					
Investigations and Technical Assistance	93.283				
FY 05-06					
Focus A		CCU517018	178,397	178,397	178,397
Pan Flu		CCU517018	26,693	26,693	26,693
FY 06-07					
Focus A		CCU517018	<u>147,554</u>	<u>30,542</u>	<u>30,542</u>
			352,644	235,632	235,632
Medicaid Assistance Program					
In-home Services and Waiver	93.778				
FY 05-06		5XX05MI5048	12,810	12,810	12,810
Maternal & Child Health Services Block Grant States					
FY 05-06 Local MCH	93.994	B1MIMCHS	51,520	36,360	36,360
FY 06-07 Local MCH		B1MIMCHS	51,520	12,360	12,360
FY 05-06 Family Planning		B1MIMCHS	9,709	9,709	9,709
FY 06-07 Family Planning		B1MIMCHS	9,721	2,452	2,452
FY 05-06 Case Management Services		B1MIMCHS	10,917	10,917	10,917
FY 06-07 Case Management Services		B1MIMCHS	<u>10,259</u>	<u>6,323</u>	<u>6,323</u>
			143,646	78,121	78,121

Ionía County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through Michigan Department of Human Services					
Child Support Enforcement (Title IV-D) ^(c)	93.563				
Cooperative Reimbursement - Friend of the Court ^(a)					
2005-2006		CS/FOC-06-34001	\$ 581,214	\$ 340,054	\$ 340,054
2006-2007		CS/FOC-07-34001	488,405	122,520	122,520
Cooperative Reimbursement - Prosecuting Attorney ^(a)					
2005-2006		CS/PA-06-34002	63,960	46,266	46,266
2006-2007		CS/PA-07-34002	71,613	18,844	18,844
Federal Incentive Payments - FOC ^(b)					
2005-2006		N/A	<u>77,884</u>	<u>77,884</u>	<u>77,884</u>
			1,283,076	605,568	605,568
Passed through State Court Administrative Office					
Access and Visitation Grant	93.597	N/A	20,000	11,017	11,017
Passed through Mid-South Substance Abuse Commission and Michigan Department of Community Health					
FY06/07 Methamphetamine	93.243	N/A	8,000	1,310	1,310
FY 06/07 Prevention	93.959	N/A	<u>83,290</u>	<u>20,695</u>	<u>20,695</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			3,069,320	1,567,424	1,567,424
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Michigan Department of State Police					
Emergency Management Division					
State Domestic Preparedness Equipment Support Program ^(e)	97.004				
2004 HSGP		N/A	374,523	45,848	45,848
Passed through Michigan Department of Natural Resources					
Boating Safety Financial Assistance	97.012	N/A	25,073	24,709	24,709

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - CONTINUED					
Passed through Michigan Department of State Police Emergency Management Division Emergency Management Performance Grants 2006	97.042	N/A	\$ 7,922	\$ 5,966	\$ 5,966
Homeland Security Grant Program ^(e) 2005	97.067	N/A	<u>367,415</u>	<u>203,938</u>	<u>203,938</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>774,933</u>	<u>280,461</u>	<u>280,461</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 5,057,747</u>	<u>\$ 2,553,791</u>	<u>\$ 2,553,791</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Ionia County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (f) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66%
Medical Support Collection	93.563	66

- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes programs tested as "major programs".
- (d) Program considered a cluster by the U.S. Department of Health and Human Services.
- (e) Program considered a cluster by the U.S. Department of Homeland Security.
- (f) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the December 31, 2006 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Cooperative Reimbursement - Prosecutor	\$ 65,814	\$ 704	\$ 65,110
Emergency Management	5,966	-	5,966
Marine Safety	24,709	-	24,709
Enforcement Grant	30,179	-	30,179
Homeland Security	50,213	307	49,906
CMET	59,111	-	59,111
High Intensity Drug Trafficking Areas	3,931	-	3,931
Other Programs	<u>1,260,159</u>	<u>1,260,159</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,500,082	1,261,170	238,912

Ionia County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2006

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED			
SPECIAL REVENUE FUNDS			
Friend of the Court	\$ 551,157	\$(318)	\$ 551,475
Public Health	1,000,918	109,666	891,252
Commission on Aging	621,866	309,965	311,901
Juvenile Accountability Block Grant	603	-	603
Community Development Block Grant	230,681	-	230,681
Community Corrections	28,523	22,565	5,958
Other Programs	<u>451,892</u>	<u>451,892</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,885,640	893,770	1,991,870
CAPITAL PROJECT FUNDS			
General Fund Designated	<u>335,094</u>	<u>135,214</u>	<u>199,880</u>
TOTAL PRIMARY GOVERNMENT	4,720,816	2,290,154	2,430,662
COMPONENT UNITS			
Brownfield Redevelopment Authority	<u>123,129</u>	<u>-</u>	<u>123,129</u>
TOTAL REPORTING ENTITY	<u>\$ 4,843,945</u>	<u>\$ 2,290,154</u>	<u>\$ 2,553,791</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of Ionia County
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Ionia County, Michigan as of and for the year ended December 31, 2006, which collectively comprise Ionia County's basic financial statements and have issued our report thereon dated June 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ionia County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ionia County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described below as Findings 2006-1, 2006-2, 2006-3, 2006-4, and 2006-5 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that Findings 2006-4 and 2006-5 described in the schedule of findings and questioned costs to be material weaknesses.

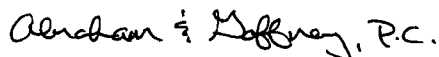
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ionia County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2006-6.

We noted certain matters that we reported to management and the Board of Commissioners of Ionia County in a separate letter dated June 12, 2007.

Ionia County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Ionia County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Ionia County, others within the County, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 12, 2007

Ionía County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes No

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's Program
93.563	Child Support Enforcement (Title IV-D)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

2006-1 Credit Card Policy

Condition: During the course of our audit, it was noted that the County has not adopted a formal written credit card policy as required by Public Act 266 of 1955 (MCL 129.241). Currently the Central Dispatch has a credit card and therefore the County is in violation of this public act.

Criteria: Entities with credit cards are required to adopt a formal written credit card policy as required by Public Act 266 of 1955 (MCL 129.241).

Cause: The Central Dispatch is using a credit card and the County has not adopted a credit card policy.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2006

Section II - Financial Statement Findings - continued

2006-1 Credit Card Policy - continued

Effect: Currently the County is in violation of Public Act 266 of 1955 (MCL 129.241) because of the Central Dispatch having a credit card

Corrective Action Response: In 1992, the Board of Commissioners took action requesting the return of all credit cards and, in essence, banning the use of county credit cards. It has been our position that no credit cards were allowed to be issued to any agent or employee of the County of Ionia under the name of the County. However, the County Administrator is currently developing a written policy under the guidelines of Public Act 266 of 1995 and Treasury Letter 1996-2. It is expected that this policy will be under consideration by the Board of Commissioners as soon as July 2007.

2006-2 Proper Recording of Revenues and Expenditures

Condition: During the course of our audit it was noted that revenues and expenditures for the Cemetery Trust were being improperly recorded directly to fund balance. Similarly debt service fund revenues were being posted to expenditure accounts.

Criteria: Revenues and expenditures should be posted correctly to their respective accounts.

Cause: The County Treasurer has always posted the revenues and expenditures directly to fund balance because the Cemetery Trust Fund used to be considered a fiduciary fund prior to GASB 34. Since the implementation of GASB 34 the Cemetery Trust Fund is now considered a Permanent Fund.

Effect: The financial statements were not in accordance with generally accepted accounting principles due to the misreporting of revenues and expenditures.

Corrective Action Response: This has been implemented for the Cemetery Trust and will be implemented for the debt service funds in 2007.

2006-3 Fraud Risk Management

Condition: During the course of our audit it was noted that in the County has not adopted a formal anti-fraud program.

Criteria: Fraud risk management program may involve active searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Cause: The County was unaware of the need to adopt a fraud risk management program.

Effect: Anti-fraud programs should be part of the County's internal controls to allow employees avenues to communicate fraud to responsible officials of the County.

Corrective Action Response: The County Administrator has obtained an excerpt from the Statement of Auditing Standards No. 99 entitled *Management Antifraud Programs and Controls*, which will be used as a guideline for developing an over antifraud management program. It is expected that the program and related policies will be in place by Fall 2007.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2006

Section II - Financial Statement Findings - continued

2006-4 Fair Market Value of Investments

Condition: During the course of our audit, it was noted that investments are recorded at historical cost, meaning that accrued interest for the County's investments is not being recorded in the general ledger.

Criteria: Generally accepted accounting principles require that investments be reported at fair market value, which includes the recording of investment income or gains/losses in the financial statements.

Cause: Investments are recorded at historical cost without any adjustments to the fair market value.

Effect: The financial statements were not in accordance with generally accepted accounting principles due to the misreporting of investments at historical cost.

Corrective Action Response: This will be implemented by the County Treasurer in 2007.

2006-5 Restatement of Net Assets

Condition: During the course of our audit, it was noted that previously issued financial statements were materially misstated. A restatement of net assets has been recorded to reflect the correction of this material misstatement.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statement, in conformity with accounting principles generally accepted in the United States of America.

Cause: The County was relying on their external auditors for the fair presentation of the financial statements.

Effect: Previously issued financial statements were material misstated and management was unaware of the misstatements.

Corrective Action Response: This has been corrected.

2006-6 Preparation of Financial Statements

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Criteria: All Michigan governments are required to prepare financial statements in accordance with GAAP. This is a responsibility of the government's management. The preparation of financial statement in accordance with GAAP required internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2006

Section II - Financial Statement Findings - continued

2006-6 Preparation of Financial Statements - continued

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Corrective Action Response: It is understood from a discussion with the audit team that this recommendation is the result of more stringent standards being placed on auditors. We will begin reviewing the process for developing and preparing financial statements and work toward correcting this as soon as administratively possible.

2006-7 Unfavorable Budget Variances

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The County's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for various activities of the General Fund.

Effect: The County adopted the budget for the General Fund at the activity level and at the total fund level for the Special Revenue Funds. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Corrective Action Response: The 2006 Fiscal Year was the first in which the County enacted a true accrual system of accounting. In the past, accrual entries were made during the audit, and reflected in the audit. During this transition we found that we needed to develop a better process for recognizing expenditures prior to the end of the fiscal year so that budget adjustments could be made. This process has been developed and will be implemented as we close the 2007 fiscal year.

Section III - Federal Award Findings and Questioned Costs

None

Ionia County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2006

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

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MANAGEMENT LETTER

To the Board of Commissioners
of Ionia County
Ionia, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Ionia County, Michigan for the year ended December 31, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Bank reconciliations should be performed at the end of the month.

During the course of our audit we noted that general ledger balances are not reconciled to the actual bank balance at the end of the month. Instead general ledger balances are reconciled to manual registers. This situation results in interest not being recorded in the general ledger in the proper month.

We suggest that general ledger balances be reconciled to actual bank balances at the end of each month to ensure the proper recording of interest.

2. The County should develop formal procedures for processing void receipts.

During the course of our audit, we noted a voided receipt originating at the Health Department did not have documentation supporting the reason for the voided receipt. To have proper control of voided receipts and to ensure that the void is appropriate and reentered into the system, it is necessary to keep supporting documentation on all voided receipts.

We suggest that documentation be kept on all voided receipts. We also suggest that original voided receipts be reviewed to ensure that the voiding of the receipt was proper and justified. In addition, the review should provide for verification that the voided receipt was reentered in the accounting system when applicable. The review of voided receipts should be done by someone who is not involved in receipting payments and who does not have the capability to void receipts.

3. The Health Department should appropriately allocate time to various programs.

It was noted during the course of our audit that one of the five employees interviewed at the Health Department as part of our review of the payroll process had indicated that time was being improperly allocated to various programs. The claim made was that there were employees charging one hundred percent of their time to a specific program, even though the employee was not working one hundred percent of the time in that program. If that were the case, this would be a misrepresentation of their time, which is resulting in overstated expenditures in those programs.

We suggest the County and Health Department investigate this further to assure that the time is allocated to applicable programs based on actual services provided.

4. The County should address fund deficits when preparing budgets.

It was noted during the course of our audit, that the Child Care Fund had a deficit balance, however the final budget for the year did not remedy the deficit. The Child Care Fund's final budget showed no excess of revenues over expenditures, therefore if the budget was followed the Child Care Fund would maintain its fund balance deficit.

We suggest that the county address any fund balance deficits during the budgeting process, and make appropriate plans to alleviate such deficits.

5. The County should review all bank accounts with the County's Federal Identification Number.

During the course of our audit, we send third party confirmation letters to the County's various financial institutions with which they do business. The financial institutions, in turn, respond directly to us confirming the existence and year-end balances of the various accounts held by the County. Through this confirmation process, we noted that the three (3) organizations opened bank accounts using the County's Federal Identification Number without the County's knowledge.

The three accounts currently utilizing the County's identification number are held under the following names: Sheriff Posse, ICSD Employee Activities Fund, and Ionia County 4-H Council. These accounts have been in existence for several years.

We suggest the County require these organizations to open new bank accounts using appropriate identifying information and cease using the County's Federal Identification Number. Should the organizations resist opening accounts with their own identification number, the County should require the financial activity to be processed through the County Treasurer's office and accounted for in the County's Trust and Agency Fund.

This report is intended solely for the use of the administration and the Board of Commissioners of Ionia County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

June 12, 2007